

ACCOUNTANCY

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PROFESSIONAL NOTES

Co-ordination of the Accountancy Profession

We are glad to be able to announce that agreement has been reached upon the proposals for the co-ordination of the accountancy profession. The Co-ordination Committee includes representatives of all accountancy bodies which have obtained Parliamentary recognition. It will be necessary to hold an Extraordinary General Meeting of the members of each organisation, and it is expected that these meetings will be convened for a date in June. A full explanatory memorandum will be issued with the notices convening these meetings. The members of the Society may feel some regret that it has not been possible to arrange a special meeting on the same date as the Annual General Meeting, but the necessity for simultaneous action and the varying dates of the annual meetings of the accountancy bodies have made this impracticable.

War Damage Insurance

Up to March 31, 1945, contributions under Part I of the War Damage Act amounted to £152 million; and £230 million had been paid out; about £50 million of contributions were outstanding, and £520 million of claims remained to be paid. No contributions will be levied beyond those due last July. Cost of works payments, which are made as they fall due, now amount to about £10 million a month, but there seems to be no early hope that value payments will

be issued. The War Damage (Valuation Appeals) Act, 1945, establishes new procedure for the hearing of appeals against decisions of the War Damage Commission. Previously a panel of referees appointed under the Finance Acts heard these appeals, but congestion ensued, and the new Act sets up a special panel, composed of barristers of seven years' standing and professional valuers, from which Tribunals will be formed to decide appeals. Other matters, which previously went to the referees, but which will go before a Tribunal under the new Act, include cases of disagreement between the parties on the proportionate damage to different proprietary interests, questions between owners and lessees, and issues concerning mortgages and rents. Appeals from the decision of a Tribunal can be made to the High Court or a County Court where the war damage valuation does not exceed £500 per annum, or the rent charge is not more than £25 per annum.

Inland Revenue Statistics

The Inland Revenue has resumed publication of its annual reports with six separate Command Papers covering the fiscal years 1940 to 1945. Paper would have been economised and the general convenience might have been better served if the six years had been dealt with in one report. Comparison of the pre-war year 1938-39 with 1944-45, as shown in the report for the year ended March 31, 1945

(Command 6774, one shilling net), which itself contains most of the relevant figures since 1935-36, emphasises again the enormous growth in the importance of the Inland Revenue resulting from the war. In 1938-39 its net receipts were £520,821,000; in 1944-45 they were almost quadrupled, at £2,021,750,000. In 1938-39 there were 3,800,000 persons chargeable with tax, and in 1944-45 the figure was 12,500,000; from the Budget speech it appears that the figure for 1946-47 will be 10,000,000. Costs of collection have not been computed since 1940-41, when they were 1.17 per cent., compared with 1.64 per cent. in 1938-39—clear evidence of the spreading of overhead and semi-variable charges. Of the mass of other statistics contained in this publication, special interest attaches to those on the estates duties, following the Budget announcement that estates not exceeding £2,000 are to be exempted from duty. Of 195,536 estates liable to duty in 1944-45, there were 120,076 valued at less than £1,000. The number of estates valued at £1,000 to £2,000 is not given, but there were 52,085 in the range of £1,000 to £5,000. It is evident, therefore, that the Inland Revenue, solicitors and accountants will be relieved of a substantial amount of work by the new exemption limit. The valuations of estates, as certified by the Valuation Office, show in each year a fairly uniform excess over the figures brought in by the accounting parties—in 1942-3, the last year for which the figure was given, the excess was 5.50 per cent.

The lag in completion of Schedule E assessments following the introduction of P.A.Y.E. is exemplified by the lack of any statistics showing incomes under this Schedule for 1943-44 and 1944-45. In 1942-43, Schedule E statutory incomes, adjusted for tax and after deduction of incomes below the exemption limits, were £1,415,964,200 for salary earners, and £2,285,600,000 for wage-earners. In that year statutory incomes under Schedules A, B, C, and D were respectively £347,279,000, £39,942,200, £168,956,000, and £1,367,047,000. In 1944-45 there were 22,234 assessments to N.D.C., and 79,588 to E.P.T., producing net tax of £39,904,200 and £655,333,400 respectively.

Capital Computations for E.P.T.

Two important cases on capital computations for E.P.T. purposes came before the Courts in March. The first, *Northern Aluminium Company, Ltd. v. C.I.R.*, is noted in Recent Tax Cases this month on page 165; the other case, which will be noted in detail in our next issue, is *Lever Brothers and Unilever, Ltd. v. C.I.R.* In this case, the House of Lords decided that a sum paid by the company to the trustees of its superannuation fund fell to be deducted in computing capital, and no corresponding asset had been acquired which could be added back. Under the trust deed in question, the company had no right in contract or in equity to enforce the administration of the fund, and the decision turned upon that. In the case of many superannuation funds, the employer has a contractual right against the trustees, but where this is not so, it seems that the result of

the *Lever Brothers* decision is that capital is reduced on the occasion of every payment to the fund.

Distribution—A National Census

The Government has announced that it will adopt the recommendations of the Census of Distribution Committee. We may, accordingly, expect a "pilot" census to be taken in the fairly near future, followed by a full-scale census—possibly in 1949 covering the year 1948. The Committee—which received evidence from the Society of Incorporated Accountants—had no doubts about the value of a census, stressing particularly its usefulness in the determination of employment policy. In evidence before the Committee manufacturers expressed the view that the census would assist them in the planning of production, in the organisation of sales and in promoting consumption. Wholesalers considered themselves less likely to derive benefit and the smaller retailers also remained sceptical. The retailers were reluctant to reveal confidential information and feared that many of their members might be eliminated. The first objection would be met by an assurance of confidential treatment of individual returns; on the second, the Committee feel that a census taken primarily to meet general public statistical purposes has only a remote connection with the possible disappearance of small traders. This may well be so, but the average small retailer is likely to be slow in appreciating the point. The Committee should, in our view, have gone more fully into this particular difficulty. The Committee's report does not make it entirely clear whether retailers and others are to be obliged to give information or whether the proposed machinery—which in other respects is elaborated in some detail—is to be permissive. But since there is to be an Act giving general powers the implication appears to be that returns are to be obligatory.

Apart from small retailers' willingness to co-operate in the census, there must remain doubts on their ability to do so without considerable improvements in their records. The Committee appreciated that in some of the small establishments even a record of total turnover, apart from the more detailed information desired, is sometimes missing. "Though this is the case at present," they continued, "we feel that such a minimum amount of information ought to be kept by every trader and we trust that, given due publicity before the beginning of the censal year, everyone, whatever their ordinary practice in this respect, will then start to keep a record of sales." To the practising accountant, accustomed to the incompleteness of the small traders' records, this may seem rather naïve. The Committee might also have considered at greater length how the returns are to be gathered in. The small business frequently regards the Census of Production returns as something of a nuisance and the resultant statistical material suffers accordingly. If the Census of Distribution is to avoid these drawbacks, careful attention will have to be paid to the question whether the returns are to be obtained through the post or by field staff—an issue which the Committee shelve until the experimental census has been made. The

aims of the census are admirable and all the information to be sought, as to the number of businesses of different types, the number of working proprietors and employees in them, their wages and turnovers, their stocks and book debts and so on, would be of the greatest economic value. We should have welcomed treatment of the practical difficulties of the Census as explicit as the Committee's consideration of its scope.

The Outlook for British Exports

Exports during the first quarter of this year have been rather larger than might have been expected, and the outlook is fairly encouraging. In January the total value of goods exported, excluding re-exports, was £57.1 million, in February (a short month) £60.0 million, and in March £67.1 million. These figures compare with an average of £38.8 million for the last quarter of 1945. By volume the index in the first quarter was probably in the region of 80.0 (the figure has not yet been officially computed) compared with 54.3 in the last quarter of 1945 (1938=100). There is certainly a great disparity between figures of this order and a volume index of 175, which has been authoritatively set as the target to be attained before the country is paying its way internationally. There are also a number of exports, conventionally regarded as staples, which are lagging woefully behind, as the following table shows:

MONTHLY AVERAGES			
	1938	Last Quarter 1945	Jan. and Feb. 1946
Cotton Yarn (thousands of tons) ...	4.57	0.57	0.76
Coal, Cargo (thousands of tons) ...	2988	453	426
Coal, Bunker (thousands of tons) ...	874	304	356

But, on the other hand, some items are doing well:

MONTHLY AVERAGES			
	1938	Last Quarter 1945	Jan. and Feb. 1946
Electrical Machinery (thousands of tons) ...	3.7	2.5	2.7
Motor Cars (number) ...	3,677	563	1,754
Cycles (thousands) ...	48.0	35.2	42.5
Rayon Piece Goods (thousands of sq. yards) ...	5,218	6,974	9,189

Our pre-war dependence upon the staple exports makes the attainment of a new equilibrium the more difficult both because an enormous expansion in other and newer lines is required to compensate for lost trade in the former basic industries, and because contraction in the overseas trade of those industries involves a difficult process of internal adjustment. In any consideration of the outlook, regard must be had to the movement, actual and projected, of the prices of exports relative to imports. The international "terms of trade" are frequently overlooked in discussion on the export trend, and it may be that changes in these terms will mean that the target of a 75 per cent. increase in exports over the 1938 volume is wide of the mark. The following figures are interesting:

Price Indices (1938=100)

	December 1944	December 1945	February 1946
Imports:			
Food, drink and tobacco	181	195	200
Raw materials ...	221	218	218
Manufactures ...	190	177	175
All Imports ...	195	198	200
Exports:			
Food, Drink and Tobacco	167	172	168
Raw Materials ...	198	204	206
Manufactures ...	199	186	192
All Exports ...	197	186	191

The indices for imports are not strictly comparable with those for exports, since the former are on a c.i.f. basis and the latter are f.o.b. These figures do show, however, that while we have derived no international advantage from price movements to date, the recent trend has been somewhat in our favour, the prices of exports having risen more than those of imports. If, in the course of a year or two, the supply of raw materials and foodstuffs from abroad showed a marked expansion—and the immediate shortage may well be transformed in that period of time into a glut—the indices might move significantly in our favour. Meanwhile, the Government have arranged that they are going into conference with representatives of industry and workers, taken from a varied list of trade associations and from the T.U.C., to consider the best ways and means of fostering the export trade.

Iron and Steel

The long-awaited Government decision on the nationalisation of the iron and steel industry turns out to be only half a decision. It is announced that "the position of the industry and its importance in the national economy necessitate a large measure of public ownership," but no plans have been made for demarcating that part of the industry which is to be taken over by the State. A Control Board is to be established to replace the Iron and Steel Control, and apparently this new body is to be charged with the responsibility of advising the Government on the fundamental issue of how far nationalisation is to go—an issue on which the Government should surely have reached a decision in advance. Whatever views may be held on nationalisation of this industry—and many supporters of the Government are believed to be doubtful of the wisdom of nationalisation in this field—the uncertainty and ambiguity resulting from the present announcement is undesirable in the extreme. It is hopefully stated that the Control Board will consider urgent modernisation and development schemes and will plan capital expenditure at an estimated cost of £168 million over the next five to seven years. But with an undefined measure of nationalisation in prospect, it is difficult to see how re-equipment of the industry can be made to best advantage and how efficiency and maximum output can be achieved in such circumstances.

Mr. R. Wilson Bartlett, J.P.

His many friends in the Society of Incorporated Accountants will wish to congratulate Mr. R. Wilson Bartlett, J.P., a Past-President of the Society, upon his being appointed and "pricked" as High Sheriff for the County of Monmouth.

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THE BRITISH INSTITUTE OF MANAGEMENT

The Government have announced that they accept the report of the Baillieu Committee on Management, issued during April, and that they propose implementing its recommendations. The Committee advised that a British Institute of Management should be formed, to cover centrally all questions concerned with management; we may therefore expect such a body to be brought into existence at a fairly early stage.

There cannot be much doubt about the need for a central co-ordinating authority in the management field. It is little short of absurd that over a hundred autonomous bodies should be dealing with one or another aspect of management, with no real co-ordination of their activities—with, on the contrary, an unfortunate degree of overlapping and rivalry. The representative of the Society of Incorporated Accountants on the British Management Council urged for the first time many years ago, and has continued to urge since, that there was unproductive duplication of effort among the many management bodies. To co-ordinate them will be a primary task of the new Institute, and if a number of them disappear in the process, by merger or otherwise, we for our part would regard that as all to the good. The Baillieu Committee, to be sure, is cautious on this possibility. "In no sense," it reports, "should the Central Institute aim to supplant such existing bodies as are effective." Perhaps we may take "effective" as the operative word.

The new Institute will also have positive work of its own. It will provide a centre for the study of management, for research into its problems, and for the dissemination of information both among the public and among those more intimately concerned with the managerial function. It will advise and assist educational authorities, technical colleges, and the like on tuition and training for management. It will publish a journal. It will maintain international contacts in the management field and will see that this country is adequately represented at all International Management Congresses. All this is useful work, and can promote, in course of time, that raising of the standard of managerial ability which is one of the factors on which Great Britain must rely for re-establishing its lead in international industry and trade. But let us not be deceived by fine words and paper schemes. Management is not, and never can be, a coherent and self-contained subject for study and tuition. The good manager is good by reason of personality, *savoir-faire*, powers of leadership and

general adaptability, rather than by reason of book-learning, technical *expertise*, education. He will usually profit from instruction; we have no doubt, if that instruction is carefully planned on broad and liberal lines; there will be valuable lessons learnt from research, if it is adequately related to the practical problems of the factory and the workshop and does not overlook the human element which is important in every branch of management. But it would be dangerous to overlook the great importance of the "gifted amateur" in this field. The real stuff of which good managers are made is more important than any formal methods of making them. It would be an injustice to the Baillieu Committee to suggest that they over-stress the "formal" approach. But we do detect an insufficient awareness of the importance of the rough school of experience in the management field.

Again, a related tendency may be seen in the report when it recommends that the Institute of Management should aim at professional status, and that those elected as full members of the Institute should use initial letters after their names to indicate that fact. The Committee do not propose that examinations should be made a condition of membership—a healthy recognition that management is not an "examinable" subject—but letters of designation have been shown over long years to have no real value unless conferred by a professional or educational body following entry by examination. The accountancy profession has ample evidence of the harm done to the community at large, and to the business world in particular, by the gratuitous use of initial letters of "qualification" without examination. The conferring of initial letters by the new Institute is, to our mind, unnecessary and undesirable, and we hope that ripper consideration may cause this part of the report not to be implemented. Similarly, to aim at establishing a "professional" body of managers, ultimately having "defined grades of membership with appropriate criteria for each grade," seems to be a mistake. Management is not a profession, and must always lack the characteristic features of a profession. The new body will have enough valuable work to do without attempting to confer a professional status and designation where both are inappropriate.

The Government are now committed to spending £150,000 of public money on the proposed Institute over the next five years. If the standard of management in British industry and trade is raised only fractionally, this sum will have been amply repaid. With intelligent and practical direction from its Council and chief officers, the investment will more than justify itself. It is expected that after the development stage, lasting five years, the Institute will be almost, if not entirely, self-supporting, the revenue being derived at that time partly from individual members and associates, but very largely from corporate subscribers, that is, firms whose subscriptions will be for them to determine themselves. Whether the new body succeeds in establishing itself financially depends upon its enlisting sufficient support from industry. As to this, industry will apply the pragmatic test—it will judge on results in the next few years.

The Budget

As was fairly generally expected, the Budget proved unexciting in the main, though far-reaching in that it marks several turning points on the way of taxation. There can be read into the speech of the Chancellor of the Exchequer a definite warning to industry to increase production, avoid undue distribution of profits, and generally "play" along the lines of the Government's policy.

Income Tax

The increase in the earned income allowance from one-tenth to one-eighth, while retaining the existing maximum allowance of £150, will reduce the tax payable on all incomes under £1,500. Although the maximum will now become effective on an earned income of £1,200, incomes between £1,200 and £1,500 will attract the maximum of £150 instead of one-tenth of the income. Tax tables on the old basis have already been issued up to October, so P.A.Y.E. deductions will not be affected by the increased allowance until after that date, when new tables will be issued. Taxpayers will, therefore, reap the benefit in the second half of the year.

The additional personal allowance given where the wife is earning (commonly termed "wife's earned income relief") will in future be seven-eighths of the wife's earned income, with a new maximum of £110 (instead of the present £80). Where a husband and wife are both earning, therefore, the total personal allowance can reach £290.

Post-war credits up to 1943-44 are to be repaid in cash to men over 65 and women over 60. Forms of application will be available shortly.

A point that has been causing some speculation is now cleared up; the contributions paid by employees and self-employed persons under the provisions of the new National Insurance Bill are to be allowed as deductions for income tax purposes. It naturally follows that all benefits of an income nature paid under the Bill will be treated as income. This, however, is more technical than real, as in practice the allowances will generally be more than the income.

Employers' contributions, of course, are allowable under existing rules.

Traders are to be allowed to deduct in computing profits for income tax purposes contributions of a capital nature to technical colleges attended by their employees.

Surtax

A sweeping proposal here is to treat as income of the settlor for surtax purposes all payments made under certain settlements. This will presumably remove the benefit obtained by covenanting on the usual seven-year basis to pay subscriptions to charities. The income tax aspect is not changed, and the charity will still benefit. As, however, a chief incentive to the settlor was the sur-tax saving, it is likely that few deeds will be made in future. The new restriction is not to apply to income payable to an individual other than an employee or agent of the settlor.

Estate Duty

Sweeping changes are made here. No duty will be chargeable in respect of deaths on or after April 10, 1946, on estates not exceeding £2,000 in net value. This does away with the fixed duties. A new scale of duty is imposed on estates exceeding that sum, viz.:

Present Scale			Scale as proposed		
Estate up to £300 gross value ...	30s.		Nil		
Estate up to £500 gross value ...	50s.				
Net capital value of total estate	Rate per cent. of Duty		Net capital value of total estate	Rate per cent. of Duty	
Exceeding Not exceeding			Exceeding Not exceeding		
£ 100 £ 500	1		£ — £ 2,000	Nil	
500 1,000	2				
1,000 5,000	3		2,000 3,000	1	
			3,000 5,000	2	
5,000 10,000	4		5,000 7,500	3	
			7,500 10,000	4	
10,000 12,500	6		10,000 12,500	6	
12,500 15,000	7.2		12,500 15,000	8	
15,000 18,000	8.4		15,000 20,000	10	
18,000 21,000	9.6				
21,000 25,000	10.8		20,000 25,000	12	
25,000 30,000	12		25,000 30,000	14	
30,000 35,000	13.2		30,000 35,000	16	
35,000 40,000	14.4		35,000 40,000	18	
40,000 45,000	15.6		40,000 45,000	20	
45,000 50,000	16.8		45,000 50,000	22	
50,000 55,000	19.5		50,000 60,000	24	
55,000 65,000	20.8				
65,000 75,000	22.1		60,000 75,000	27	
75,000 85,000	23.4		75,000 100,000	30	
85,000 100,000	24.7				
100,000 120,000	26.0		100,000 150,000	35	
120,000 150,000	28.6				
150,000 200,000	31.2		150,000 200,000	40	
200,000 250,000	33.8		200,000 250,000	45	
250,000 300,000	36.4		250,000 300,000	50	
300,000 400,000	39		300,000 500,000	55	
400,000 500,000	41.6				
500,000 600,000	44.2		500,000 750,000	60	
600,000 800,000	46.8				
800,000 1,000,000	49.4		750,000 1,000,000	65	
1,000,000 1,250,000	52		1,000,000 2,000,000	70	
1,250,000 1,500,000	54.6				
1,500,000 2,000,000	58.5				
2,000,000	65		2,000,000	75	

The present three-year period for charging gifts *inter vivos* is to be increased to five (charities two years).

More use is to be made of the provisions whereby land may be accepted in payment of estate duty (of which only two instances have hitherto occurred).

E.P.T.

The expected end of E.P.T. is announced: December 31, 1946. This is a welcome incentive in these days of reconstruction and post-war development. Provisions will be included in the Finance Bill for

terminal adjustments in respect of deferred repairs and renewals, post-E.P.T. expenditure on the rehabilitation of industry to a peace-time footing, and falls in stock values. The terminal date for exceptional depreciation is also to be fixed.

No new tax is to be imposed in place of E.P.T., though the possibility that one will come eventually is not shelved. The Chancellor made it plain that as E.P.T. will be coming in during this financial year, the urgency of another tax was not such that a final decision was called for now. The budgetary and financial situation and the conduct of private enterprise would influence him. Post-war development must come before increased dividends, and he invited industry to plough back increased profits into the business.

N.D.C.

This tax is to continue under the name of "Profits Tax."

Tax Reserve Certificates

As from April 15, the rate of interest on tax reserve certificates surrendered in payment of taxes is reduced from 1 per cent. to $\frac{3}{4}$ per cent. per annum.

Stamp Duties

Units or shares in unit trusts are to be charged to stamp duty as if they were stock. Stamp duty will also be payable on all property brought into a unit trust at the rate appropriate to a settlement.

As has now become usual the Finance Bill promises to be interesting and not free from complications. We shall deal with it in our June issue.

Budget Estimates, 1946-47

A.—ORDINARY REVENUE AND EXPENDITURE

ESTIMATED REVENUE.		ESTIMATED EXPENDITURE.	
<i>Inland Revenue—</i>		<i>Interest and Management of National Debt ...</i>	
Income Tax ...	1,111,000,000	Payments to Northern Ireland Exchequer ...	490,000,000
Sur-tax ...	80,000,000	Issue to National Land Fund ...	20,000,000
Estate Duties ...	140,000,000	Miscellaneous Consolidated Fund Services ...	50,000,000
Stamps ...	29,000,000		8,000,000
National Defence Contribution (or Profits Tax) and Excess Profits Tax ...	325,000,000		
Other Inland Revenue Duties ...	1,000,000		
		Total ...	568,000,000
Total Inland Revenue ...	1,686,000,000		
<i>Customs and Excise—</i>		<i>Supply Services—</i>	
Customs ...	595,000,000	Defence—	
Excise ...	592,000,000	Excluding	
		Pensions	
Total Customs and Excise ...	1,187,000,000	Army Votes	675,012,000
<i>Motor Vehicle Duties</i> ...	<i>45,000,000</i>	Navy Votes	243,371,000
		Air Votes	252,380,000
TOTAL RECEIPTS FROM TAXES ...	2,918,000,000		1,170,763,000
<i>Sale of surplus war stores</i> ...	<i>150,000,000</i>	<i>Pensions</i> {	
<i>Surplus receipts from certain trading services</i> ...	<i>50,000,000</i>	Army Votes	6,988,000
<i>Wireless Licences</i> ...	<i>5,300,000†</i>	Navy Votes	11,704,000
<i>Crown Lands</i> ...	<i>1,000,000</i>	Air Votes	3,120,000
<i>Receipts from Sundry Loans</i> ...	<i>15,000,000</i>		21,812,000
<i>Miscellaneous</i> ...	<i>22,000,000</i>	<i>Civil—</i>	
		I. Central Government and Finance ...	11,277,000
TOTAL REVENUE ...	3,161,300,000	II. Foreign and Imperial ...	76,400,000
EXCESS OF EXPENDITURE OVER REVENUE ...	725,617,000	III. Home Department, Law and Justice ...	29,898,000
		IV. Education and Broadcasting ...	138,888,000
		V. Health, Housing, Town Planning, Labour and National Insurance ...	345,575,000
		VI. Trade, Industry and Transport ...	147,382,000
		VII. Common Services (Works, Stationery, etc.) ...	83,015,000
		VIII. Non-Effective Charges (Pensions) ...	107,433,000
		IX. Exchequer Contributions to Local Revenues ...	65,265,000
		X. Supply, Food and Miscellaneous Services ...	1,085,616,000†
			2,090,749,000
		<i>Post Office Vote (Excess over Revenue)</i> ...	<i>10,520,000</i>
		<i>Tax Collection—</i>	
		Customs and Excise and Inland Revenue Votes (including Pensions, £1,846,000) ...	25,073,000
			3,318,917,000
		TOTAL EXPENDITURE ...	3,886,917,000

† Excluding the proceeds of the impending increase in the charge for the licence to receive sound broadcasts and of the new licence to cover both television and sound reception. The date of the introduction of these changes will be announced later.

‡ Including £474,000,000 for Ministry of Supply.

B.—SELF-BALANCING REVENUE AND EXPENDITURE

Post Office expenditure corresponding to Revenue (including Pensions £9,550,000) ...	120,900,000
Excess Profits Tax, Post-war refunds (Part deducted for tax) ...	—†
Total ...	120,900,000

† Receipts under this head depend upon the amount of Excess Profits Tax, post-war refunds paid out during the year, for which reliable estimates are not available.

The National Accounts

In the last ten years, two main developments stand to the credit of economics. First, the Keynesian general theory of employment; second, the clarification and analysis of the concept of national income. The first of these advances has led to the reasoned justification of deficit financing, given certain underlying conditions in the national economy, and to the belief that full employment can be maintained. The second, which has its own important implications for the Keynesian theory, has proceeded hand-in-hand with the growth of an almost entirely new branch of "econometrics," aptly dubbed "social accounting"—the computation, dissection and presentation of the total income and expenditure of the nation.

The eighth set of national accounts produced by the Central Statistical Office were available this year a week before Budget day (Command 6784, ninepence). They represent once again a comprehensive study of the national aggregates of income and expenditure, analysed and cross-analysed into component parts.

The net national product at factor cost, that is, the total of personal income and public income from current economic activity (including the holding of property) amounted last year to £8,483 million. In comparison with the previous year (£8,401 million) this shows a fractional advance which is more than explained by the further rise in prices. The allocation of these two totals between the main categories of disposal is shown in the following table:—

£ million	1938	1944	1945
Consumption	3,602	4,285	4,582
Government (war and non-war)	794	5,090	4,725
Net capital formation (non-war)	214	-974	-824
	<u>4,610</u>	<u>8,401</u>	<u>8,483</u>

It will be seen that there was some expansion of consumers' expenditure last year. The figures given make no allowance for price levels but, even after this correction, there was still some improvement in the standard of consumption, though it was 14 per cent. lower than in 1938. Government outlay fell, though not so substantially as might have been hoped.

The last category in the table above, the amount of investment or disinvestment, is one of the most significant concepts in the whole of social accounting. Movements in its value, past and prospective, are of the greatest importance to the state of the economy as a whole and, therefore, to the other elements in the national income. Unfortunately, it is here that the new techniques make their worst showing. The figure of -£824 million, and the corresponding figures for previous years, unlike the great majority of the other values given, must be used with caution, for it is admittedly subject to a considerable error which further developments in technique may perhaps remove.

Accepting this reservation, however, the disinvestment indicated by this figure of £824 million, when taken in conjunction with the corresponding figure for previous years, presents in startling fashion the twin economic problems facing this country: how to re-equip its industry, where plant has been sacrificed to the war, and how to replace invisible exports, previously largely represented by interest on overseas investments now liquidated, by visible exports of goods. The volume of obligations incurred overseas emphasises also the crucial importance of impending negotiations with our national creditors on the future of these debts. The relevant figures follow:—

£ million	1938	1944	1945	1938 to 1945
Net capital formation at home	284	-315	-5	-780
Less: Net obligations incurred overseas ...	70	659	819	4,761
Total investment (plus) or disinvestment (minus) ...	<u>214</u>	<u>-974</u>	<u>-824</u>	<u>-5,541</u>

The figure of £8,483 million representing the net national product at factor cost and previously analysed may also be divided into its sources and compared with previous years as follows:—

	1938 per cent.	1944 per cent.	1945 per cent.
Rent of land and buildings	8.3	4.6	4.5
Interest and profits ...	28.5	29.6	28.8
Salaries	23.9	17.5	18.7
Wages	37.6	34.4	33.5
Pay and Allowances to H.M. Forces	1.7	13.9	14.5
Per cent.	<u>100</u>	<u>100</u>	<u>100</u>
£ million	4,610	8,401	8,483

If from the total of £8,483 million there is deducted £123 million representing public income from trading, property, etc., and £900 million representing the rest of the national income not accruing to persons, i.e., mainly the income of companies less distributions, and if there is added £891 million, representing transfer payments from public authorities to the private sector, we have £8,351 million as the total of private incomes before tax. Its allocation in comparison with previous years is given below:—

£ million	1938	1944	1945
Consumption	3,602	4,285	4,582
Indirect taxes	558	1,050	1,063
Direct taxes	468	1,349	1,443
Savings	144	1,335	1,263
Personal outlay... ..	<u>4,772</u>	<u>8,019</u>	<u>8,351</u>

This table clearly indicates a further vital problem in the present economy: the unduly low level of savings in relation to consumption. The decline in savings and the large disinvestment last year point both to the paramount need for capital re-equipment and the difficulty of achieving it.

National Income and Expenditure

Table I
NATIONAL INCOME AND PRODUCT

	1938	1940	1944	£ million 1945
Personal income before tax ...	4,772	5,720	8,019	8,351
plus Other private income before tax ...	259	615	975	900
Private income before tax ...	5,031	6,335	8,994	9,251
less Transfer payments from public authorities to the private sector ...	-475	-484	-724	-891
Private income from current economic activity ...	4,556	5,851	8,270	8,360
plus Public income from trading, property, etc. ...	54	71	131	123
National income (or net product at factor cost) ...	4,610	5,922	8,401	8,483
plus Sums allowed for depreciation and maintenance ...	475	505	520	520
Gross national product at factor cost	5,085	6,427	8,921	9,003
plus Indirect taxes net of subsidies ...	601	827	1,256	1,188
Gross market product at market value ...	5,686	7,254	10,177	10,191

Table II
TOTAL PRIVATE INCOME AND THE PROPORTION
REQUIRED TO MEET TAXATION

	1938	1940	1944	£ million 1945
Private income ...	5,031	6,335	8,994	9,251
Direct taxes, social insurance contributions of employees, war damage contributions and premiums, etc., met out of private income ...	545	786	2,107	2,148
Indirect taxes, rates and war risks insurance premiums less subsidies met out of private income	571	706	1,054	1,074
Excess of tax liabilities over payments ...	16	286	72	-22
Total tax liabilities in respect of private income ...	1,132	1,778	3,233	3,200
Tax liabilities as a percentage of private income ...	23	28	36	34

Table III
DIRECT TAXATION PAID IN RESPECT OF DIFFERENT
TYPES OF INCOME AND PROPERTY

	1938	1940	1944	£ million 1945
On income :—				
Rent of land and buildings—				
Income tax ...	59	84	126	132
Surtax ...	7	8	8	8
Interest and profits—				
Income tax ...	208	305	602	632
Surtax ...	43	59	54	53
N.D.C., E.P.T., etc. ...	16	69	517	474
Salaries—				
Income tax ...	42	75	287	320
Surtax ...	9	12	12	12
Employees' contributions ...	4	5	7	7
Wages—				
Income tax ...	2	5	238	241
Surtax ...	—	—	—	—
Employees' contributions ...	51	56	63	62
Pay of Armed Forces—				
Income tax ...	1	4	26	28
On property :—				
Land and buildings—				
Death duties, corporation duty and land tax	10	10	13	16
War damage contributions ...	—	—	40	38
Interest - bearing securities*				
Estate duties and corporation duty ...	22	23	36	43
Other stocks and shares—				
Estate duties and corporation duty ...	37	37	47	48
Other forms of property—				
Estate duties ...	9	9	12	13
War damage contributions ...	—	—	9	—
Unallocated ...	25	25	16	21
Total direct taxes ...	545	786	2,107	2,148

* Government and municipal stocks, bonds, mortgages and debentures.

Table IV

NUMBER OF INDIVIDUALS* IN DIFFERENT RANGES
OF NET INCOME ASSESSED IN 1938-39 AND 1944-45

Range of Income after tax	1938-39	1944-45
£150-250	4,500,000	7,400,000
£250-500	1,820,000	5,050,000
£500-1,000	450,000	830,000
£1,000-2,000	155,000	186,000
£2,000-4,000	56,000	33,050
£4,000-6,000	12,000	890
£6,000 and over	7,000	60
Total ...	7,000,000	13,500,000

* A married couple is for income tax purposes counted as one individual.

Table V
PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES AT CURRENT MARKET VALUE

	1938	1940	1944	£ million 1945
1. Food	1,221	1,309	1,396	1,414
2. Alcoholic beverages				
Beer	195	273	529	550
Other	90	103	133	135
3. Tobacco—				
Cigarettes	144	215	428	469
Other	32	47	79	79
4. Rent, rates and water charges ...	491	519	512	517
5. Fuel and light ...	195	223	248	265
6. Durable household goods—				
Furniture and furnishings... ..	152	139	68	92
Hardware	82	73	56	75
7. Other household goods	51	56	52	53
8. Clothing—				
Footwear	73	90	90	93
Other clothing				
Men's and boys' wear	127	137	125	130

Table V—continued

Women's, girls' and infants' wear ...	246	269	279	293
9. Reading matter ...	61	66	84	88
10. Privately - owned motor vehicles and their running expenses	114	34	7	26
11. Travel	159	138	210	238
12. Communication services	29	32	54	51
13. Entertainments ...	60	57	142	153
14. Services not included above ...	452	449	404	441
15. Other goods ...	176	186	200	228
16. Income in kind of Armed Forces ...	17	81	199	205
17. Total of above items	4,167	4,496	5,295	5,584
18. Adjustment* ...	- 7	-	40	50
19. Total	4,160	4,496	5,335	5,634

* It is necessary to make a specific adjustment in order to convert the total in line 17 to a total of purchases out of British income.

What is a Practice Worth?

By JOHN R. LANE, A.S.A.A.

The purchase of an accountancy practice or partnership has special attractions for many returning to the profession after several years away; at the same time, there are serious pitfalls. Prices asked are to-day so high that many purchasers may find their practices uneconomic in a few years. Offers are being made of practices which expanded or were entirely built up during the war: often the work came as a result of the calling up of practising accountants, or as a direct result of war-time controls and high taxation. Money has depreciated in value, but fees have not as yet been increased to the extent necessary to counteract this: indeed, in many cases an adequate rise in fees is not possible.

What is an Economic Purchase Price?

There can be no hard and fast rule, because so much depends upon the individual; one does not purchase clients—only the contact with them and the possibility of their continuance. But there are points which should always be considered, especially in this period of high prices.

The preliminary factor to be determined is what is the required net annual return, before taxation: an economic purchase cannot properly be made without knowing that. The net return must at least be equal to what would be earned in comparable employment, plus interest on the capital outlay; there should also be a reasonable management return. From a small practice which can be carried on by the principal with a very small staff, a return of 62½ per cent. is not high. Larger practices should show not less than 30 per cent. On present prices, the return is usually less than 20 per cent., and in far too many cases less than 10 per cent.

A practice consisting of a small number of large jobs is less attractive than one of a large number of small jobs.

The first questions to be asked must concern the age and type of the practice offered, the reason for selling it, and the net return recently received by the seller. Consideration of the answers may be sufficient to close negotiations.

Purchase Price Basis

What should be the basis of purchase price—net profit, gross fees, gross recurring fees, or super-profits?

If the price is based on net profit, the purchaser may be in a position of advantage: he may be able to see immediately that he could carry on the practice more efficiently than the seller, e.g., the seller may be an elderly man whose capacity is diminished, causing him to employ a larger staff than is justified by the work. The seller might not get full value on this basis.

If gross fees be the basis, then the seller might benefit; to take all fees would not allow for items which might be completely unproductive in the future.

The super-profits basis is an improvement, but is more applicable to a commercial business which does not depend to such an extent on personal capabilities. Super-profits are normally related to capital employed. In a professional business, cash capital may be small, but personal capital—personality, capability, integrity, and so on—should be high, and is as difficult to value as goodwill. The capital value of individuals varies considerably. It is clear that on the super-profits basis, either the buyer or the seller will benefit at the expense of the other.

What is required is a fair deal for both parties, and the gross recurring fees basis most nearly meets that requirement. It allows for the personal capacity of the individual, and it avoids the disadvantages of the

bases considered above; but net profit is not to be entirely ignored, as will be seen later.

Difficulties will be met in agreeing what are the gross recurring fees, and detailed consideration is recommended of each of the following divisions:

- (i) Fees which have recurred for ten years or more.
- (ii) Fees which have recurred for five years or more, up to ten.
- (iii) Fees which have recurred for less than five years.

Major points to be considered in relation to all the above are firstly, what fees result from large jobs, the loss of any of which would seriously affect the business, and secondly, what fees are likely to cease within a few years, e.g., executorship accounts, personal accounts of elderly individuals and limited companies, etc., whose continuance depends upon an aged principal.

Special thought must be given to (ii) and (iii), since they may be indicative of the type of expansion mentioned earlier; undoubtedly many former practitioners will return to their respective areas and recover much of the work they lost through the war, and work due to war conditions and high taxation can be expected to diminish, at least within a year or two.

There may be work which the prospective purchaser would not wish to continue, e.g., secretarial or advice of a financial nature, particularly if the work was mainly due to personal friendship between seller and client.

Trend of Net Profits

The best way to consider the trend of net profits is to plot a graph for as many years as possible—under present conditions for at least ten years, in order to include some of the pre-war years.

A downward trend immediately before the date of negotiations may mean there has been a loss of work, and the reason should be discovered; there may, for example, be a gradual exodus from the area now that evacuation has ceased.

An upward trend may mean that the reverse is taking place, or that expenses, particularly salaries, have decreased to the extent that there are heavy arrears of work with consequent possibilities of loss of clients, and almost certainly heavy expenditure to bring work up-to-date in quick time.

The prospective purchaser must consider the expenses which the seller has had to incur in maintaining the practice, and adjust them up or down in accordance with his estimate of his own necessary expenditure.

Purchase Price

The estimate of expenditure deducted from the gross recurring fees being purchased shows the net return to be expected, and from it the purchase price is easily calculated. For instance, a practice of £1,000 gross recurring fees with a net profit expectation of £600 is, in the writer's estimation, worth about £1,000 actual; allowing for any apparent upward trend, for the seller remaining for a time to

introduce clients, thereby increasing possibilities of retention, for other possible advantages which may be present, and to a certain extent for the depreciation in the value of money, the most that should be paid for such a practice is £1,500.

A practice of £5,000 g.r.f. with a net profit expectation of about £2,950, is worth no more than £9,000 actual, and a maximum of £11,000. If such a practice is conducted by one principal only, the expenditure ratio will necessarily increase since a larger senior and managing staff will be necessary; the values given would show an economic return to each of two working partners, and the return would include the management element, which would otherwise reduce the net profit expectation.

The maximum value should only be used to the extent that special factors are present, and it is the purchaser's responsibility to determine how far those factors should be allowed to affect the price paid.

The view of the writer is that the number of years' purchase should range between 1 minimum and 2.2 maximum. The actual number depends on the value which the purchaser has placed upon the practice. A purchaser may be willing to work on smaller percentages than have been mentioned, but in no case does a price of more than twice the gross recurring fees appear easily justifiable. In the present sellers' market, practices of £1,000 g.r.f. have been offered for as much as £3,250, necessitating tremendous expansion before an economic return could be obtained.

A Simplified Income Tax

Mr. Walter H. Marsden, F.S.A.A., President of the Incorporated Accountants' District Society of North Lancashire, is also President of the Blackburn Chamber of Commerce. In his address at the annual meeting of the Chamber on February 27, he spoke of the discouraging effect of taxation on enterprise, and made suggestions for its reform.

E.P.T. and N.D.C. were a heavy burden, and their deadweight incidence removed any incentive to take risks—and risk-taking was the very soul and spirit of commercial progress. High taxation also hindered the establishment in England of new industrial enterprises: capital tended to fly to countries where taxation was lower. Recent reliefs were therefore most welcome.

The yield of income tax, when effect was given to the reductions announced in the October Budget, would be about 2s. 3d. in the £ on the national income. Mr. Marsden suggested that a flat rate tax of 2s. 3d. in the £ should be levied on all incomes, with no allowances whatever. The worker would thus be left with 17s. 9d. of every pound that he earned. His incentive to work and to do overtime would be restored, and he would be able to understand the system and what amount should be deducted. The present tax remissions were a form of social relief, which should take the form of cash payments in relation to circumstances.

The cumbersome system and elaborate code tables of Pay-as-You-Earn would be abolished, while the advantages of deduction of tax at the time of payment would be retained.

To avoid giving undue benefit to the well-to-do, sur-tax should apply to incomes of £500 and upwards.

Second Refresher Course at Oxford

I was one of the ninety-nine members of the Society, most of us very recently re-acquainted with the "bowler hat," others even still wearing uniform, who accepted the invitation to attend at Balliol College, Oxford, the second of the Refresher Courses for members returning from the Services. Ours was a wise decision; merely to say that the success of the first course was repeated would be to utter the commonplace. We thoroughly enjoyed every moment of it, acquired much useful knowledge and found sympathetic understanding and assistance in the problems of adjusting ourselves again to civilian life.

Tuesday, April 2, was an inspiring day. Oxford, "lovely at all times," looked more peaceful than ever in the sun. Balliol could not have greeted us with a more suitable welcome than the sight of undergraduates studying in the garden. We were soon anxious to follow their example and "get down to it."

Having received in advance summaries of lectures and booklets, members arrived throughout the afternoon of April 2 and quickly settled themselves in College. We first assembled in Hall for dinner, after which the Chaplain, a Fellow of Balliol, deputising for the Master, who was unfortunately indisposed, warmed us with a delightful welcome. He recalled that it had long been established that Balliol concerned itself mainly with things of the "mind and spirit," and for this reason the College was pleased to welcome the Society within its precincts and put its facilities at the disposal of the Course.

We were then received by the President in the J.C.R., and the first day's proceedings left us feeling that the first inevitable strangeness had largely vanished, and that we were ready to commence studies.

The Course itself consisted, much the same as the first, of sixteen lectures on the following: War-Time Finance and Taxation; Auditing; Income Tax, E.P.T. and N.D.C.; P.A.Y.E.; Form of Accounts; Accounting Principles; Trustees, Liquidators and Receivers; Executors; Modern Aspects of Costing; Accounting for Management Purposes; Etiquette of the Profession; and Company Law Amendment. We did not expect to be given any great detail—in fact, to have attempted this would have defeated the whole object, because in very short time the cogs of minds just a little rusty from Service regimentations would have objected to the unaccustomed pressure. No; instead, the lecturers, all of whom showed delicate understanding of our problems, struck the right balance; explaining just enough for us to appreciate what had happened during our absence, to show us where to find further information, and to place our uncertain feet on the road to readjustment. The subjects which attracted us most were Income Tax, E.P.T., and N.D.C., all of which were fully dealt with in admirable lectures. It was encouraging to discover that the dreadful sound of Pay-as-you-Earn was not, after all, so dreadful. We were fascinated by the eloquence with which new accounting principles were expounded, and were glad indeed to have the intricacies of the Cohen Report elucidated by Professor

A. L. Goodhart, K.C., to whom the Society is again indebted.

Each lecture was followed by a discussion in groups, an arrangement we found helpful, under the experienced guidance of the group chairmen, whose good-natured, patient explanations pleased us all. A further lecture on mechanised accounting by Mr. W. Desborough, O.B.E. (Powers Samas), followed by a demonstration of accounting machines, enabled us to keep abreast with progress in this important sphere.

An informal discussion was held on "The Outlook for the Profession," in which several members of the Course, representing the views of their groups, raised points which were uppermost in all our thoughts. Mr. Fred Woolley, the President, replied to our general satisfaction and enlightenment. Mr. Bertram Nelson was a very witty and able question-master at an informal "Brains Trust" in the Junior Common Room on Sunday evening, at which the guest members, Sir Leonard Browett, K.C.B., C.B., C.B.E., Director of the National Union of Manufacturers, and Mr. E. P. Harries, Organising Secretary of the T.U.C., brilliantly discussed the Outlook for British Industry.

The Course was taken seriously and it was evident that we were all anxious to gain the utmost benefit from it. But it was not all work. Once again, the organisers showed admirable understanding in providing time and facilities for recreation. There was golf for the enthusiastic, squash for the energetic, walks through the beautiful meadows and boating on the river for the reflective. We were fortunate that the weather was so kind; and those of us who had grown accustomed to the baked Mediterranean and humid East were reminded how refreshing and invigorating and wonderfully green is the English Spring. ("Oh, to be in England now that April's there.") Dr. Saxton, F.S.A.A., again showed parties round the Colleges, a gesture greatly appreciated by large numbers of us. In a moment "Alice in Wonderland" became more intimate; Browning a friend, Gladstone greater, Wolsey real.

Time was set aside for a visit to the Morris Motor Works at Cowley, where we received warm hospitality and an instructive insight into industry. I must confess, though, that whilst watching the assembly line, my mind fled, for a second, to one bewildered Charles Chaplin seen clutching two spanners in "Modern Times."

There was a happy interchange of courtesies with the Chartered Accountants' Refresher Course, which was proceeding simultaneously at The Queen's College. The President welcomed Mr. E. G. Turner, F.C.A., and Mr. W. L. Barrows, F.C.A. (Directors of Studies), and members of the Course to some of the Society's Lectures.

An extremely well-attended service in the College Chapel on Sunday, April 7, was conducted by the Reverend F. L. MacCarthy, M.A., Chaplain of Balliol.

Our stay at the College was wound up with a convivial guest-night dinner, and our recollections will always include the good fellowship and friendliness of this last night. The function, for which the

College silver was lent, was made brilliant by the presence of the Principal of Brasenose (Pro Vice-Chancellor of the University), who wore his scarlet robes, and by the speeches. Mr. Richard A. Witty, F.S.A.A., Past-President, in a thought-provoking speech proposed "The University of Oxford," and we were delighted by the charm and wit of the reply of the Principal of B.N.C. Speaking for himself, he deftly hinted that the profession might consider the relation of Modern Greats at Oxford to the Universities scheme for the accountancy profession. Group-Captain A. G. Miller, D.F.C., a member of the course, proposed the health of the President and expressed our felicitations to the Council for the hospitality extended to us. In concluding the dinner, the President acknowledged the valuable facilities kindly afforded by the Master and Fellows of Balliol, and we warmly acclaimed his reference to Miss Annie Bradbury, the Domestic Bursar, who had been responsible for the arrangements in College.

We came away from Oxford feeling that many apprehensions had been allayed, many dark clouds dispersed, and that light was beginning to appear in the dark void created over six years. Perhaps one of the happiest features was that the loneliness and strangeness experienced by us all to a more or less degree had been dispelled by meeting other Incorporated Accountants and members of the Council. This, I am sure, will foster the growth of District Society activities. The lectures succeeded in setting us talking and thinking in terms of accounts and income tax and figures once again, resulting in our regaining self-confidence and optimism to meet the future. I cannot urge too strongly those members still in the Services, but soon to be released, to make every endeavour to attend the next course.

To everyone connected with the organisation of the Course I would say, very sincerely, "Thank You," not only for the time and trouble they spent in helping us to re-equip ourselves for this new civilian life, but also for the opportunity of delving, in our quieter moments, into the spirit of culture and learning we found at Balliol.—A.E.W.

Letters to the Editor

E.P.T. and Duplicate Partnerships

DEAR SIR,—With reference to the paragraph on page 118 of your March issue, I did in fact argue whether two partnerships with common partners and profit sharing ratios were assessable as one business under Section 12 (5) Finance (No. 2) Act, 1939.

The Inspector maintained that a partnership was a person within the meaning of the Section and adduced in support Rule 10, Cases 1 and 2, proviso to Sub-section 3, rule 6, Part 1 of the 7th Schedule to the No. 2 Finance Act, 1939, and the wording of Section 12, claiming that if "person" did not cover "partnership," then partnerships could not be assessed at all to E.P.T.

The Inspector also quoted from *Ayrshire Pullman Motor Services and D.M. Ritchie v. C.I.R.* (14 T.C. 754): "The word 'person,' of course, includes a firm and it is the firm which have to pay tax on the profits earned," and from *Watson and Everett v. Blunden* (18 T.C. 402): "A partnership is treated as an entity distinct from the persons who constitute the firm." Arising out of the

latter quotation I made the point that two partnerships (as in the case under dispute) therefore constituted two separate and distinct entities and neither could accordingly be said to be carrying on the business of the other.

I suggested we were dealing with two persons in law, not one. The Inspector, however, stated that his interpretation of "person" to include partnerships in applying section 12 (5) was in compliance with a general rule issued by his Head Office and could not be further argued by him except on appeal, which course was not, however, pursued.

Gosport, March, 1946.

W. F. W.

Our contributor states: "This letter bears out my suggestion that this would be an interesting point to argue. I am not impressed by the Inspector's arguments. Section 12 (1), Finance (No. 2) Act, 1939, imposes the E.P.T. on excess profits of any trade or business, so there is no difficulty in collection. Section 12 (2) applies it to business carried on by persons ordinarily resident in the U.K. A partnership in Scotland is an entity, in England it is not, though for income tax it is treated as if it were, for the purposes of collection (C.R. 10 which applies to E.P.T.). But a partnership is not the same if there is any change in the partners; and the Revenue do not agree that two businesses with common partners are carried on by the same person(s) if the profit sharing is substantially different. The latter is a recent decision in an actual case and it would be interesting to learn whether the instructions referred to have been varied. There seems to be a confusion between assessment and collection here."

Excess Profits Tax Refunds

DEAR SIR,—I have read with much interest the leading article in the April issue of ACCOUNTANCY, dealing with the question of refund of Excess Profits Tax. I do not feel able, however, to agree with the views expressed in the fourth paragraph of the article in which you deal with the question of the absence of any time limit within which the refund must be expended on development or re-equipment.

Section 40 (1), Finance (No. 2) Act, 1945, provides that the following undertakings must be given by a person to whom the post-war refund is payable: (a) that the net amount of the refund will be used in developing or re-equipping the trade or business and, until so used, will be so dealt with as to remain available for use, when required, in developing or re-equipping the trade or business; and (b) without prejudice to the generality of the preceding provision, any part of the refund not so used is not to be distributed directly or indirectly for the benefit of the person to whom the refund is payable.

In my view, it would not be sufficient in order to comply with this undertaking to put the money in a separate banking account and to leave it in such banking account indefinitely without expending the whole or any part of it on development or re-equipment. The undertaking is definitely to the effect that the net amount of the refund *will* be used, and it appears to me that the proviso regarding its disposal until it is so used is only intended to cover the period of time which must, in most cases, elapse before the expenditure is made. While I agree that no actual period of time is stated within which the expenditure has to be incurred, I think that Sub-section 4 makes it implicit that the period is to be five years, although as at present provided, the section certainly does not make this clear beyond any possibility of doubt.

Yours faithfully,

London, April 23, 1946.

A. J. COOKE, A.S.A.A.

TAXATION Revenue or Capital Payments?

[CONTRIBUTED]

Questions constantly arise as to whether or not a certain item of expenditure may be deducted from profits for income tax purposes under Rule 3 (a) of the rules applicable to Cases I and II of Schedule D. It must be borne in mind that in *Atherton v. British Insulated and Helsby Cables, Ltd.* (10 Tax Cases 191), the Lord Chancellor laid down certain tests to be applied in determining such questions, and these tests have been applied regularly in later cases. Accordingly, for any item of expenditure to be an allowable deduction, it must comply with all the following conditions.

Firstly, the expenditure must not be a deduction which is expressly prohibited by the Income Tax Act, 1918, Section 209. By Rule 3 (a) of the Rules applicable to Cases I and II of Schedule D, "in computing the amount of the profits or gains to be charged, no sum shall be deducted in respect of any disbursements or expenses not being money wholly and exclusively laid out or expended for the purposes of the trade or profession. . . ."

Secondly, the money must have been expended to facilitate the carrying on of the business, but if it was so expended, it is not essential that it should have been expended of necessity. In other words, a payment made voluntarily and solely on the ground of commercial expediency is an allowable deduction if it was made indirectly to facilitate the carrying on of the business, even though the person or company making the payment was under no legal obligation to do so. In *Usher's Wiltshire Brewery, Ltd. v. Bruce* (6 T.C. 399), the brewery company were the owners or lessees of a number of licensed premises which they had acquired solely in the course of and for the purpose of their business as brewers. The premises were let to tenants who were "tied" to purchase their beers, etc., from the company. In their tenancy agreements the tenants covenanted to execute certain repairs. In spite of this covenant, the cost of the repairs was borne by the brewery company, as it was found to be in the company's commercial interest to do so, instead of compelling the tenants to comply with their covenants. It was decided that the cost of such repairs was an allowable deduction. Again, in *Smith v. The Incorporated Council of Law Reporting for England and Wales* (6 T.C. 477), the Council paid a gratuity to one of their reporters on retirement. They were under no legal obligation to do so, but it had been the custom for the Council to give such a gratuity to a reporter on retirement after long service, and it was held that the grant must be regarded as a proper deduction.

Thirdly, the payment must be in substance a revenue payment as opposed to capital expenditure. Whether or not it is so is a question of fact to be decided on the facts of each particular case. If a payment is of a recurring nature, it is fairly strong evidence that it is a revenue payment, but it is not essential that all payments chargeable to revenue should be recurring, and there are cases where a

payment made "once and for all" is an allowable deduction. In *Helsby's case*, the then Lord Chancellor said "When an expenditure is made, not only once and for all, but with a view to bringing into existence an asset or an advantage for the enduring benefit of a trade, I think that there is very good reason (in the absence of special circumstances leading to an opposite conclusion) for treating such an expenditure as properly attributable not to revenue but to capital." Thus in all cases it is essential to look at the substance of the transaction, and to determine the object for which any particular payment was made.

As the question is one of fact in each particular case, it is helpful to consider some of the decisions reached by the Court on the facts of particular cases. In *Hancock v. General Reversionary and Investment Co., Ltd.* (7 T.C. 359), the company granted a pension to an actuary on retirement and later "entirely as a matter of domestic arrangement," commuted the pension by purchasing an annuity. The amount so expended (although described in the company's accounts as "Capital cost of retiring allowance") was allowed as a deduction. Again, in *B. W. Noble, Ltd. v. Mitchell*, circumstances arose in which the company might have been justified in dismissing one of the directors, but to avoid publicity injurious to the company's reputation, it entered into negotiations for his retirement, and agreed (*inter alia*) to pay him a substantial sum. The amount so expended was held to be a revenue item and so deductible. This decision was followed in *Anglo-Persian Oil Co., Ltd. v. The Commissioners of Inland Revenue* (16 T.C. 253), where a lump payment was made by the company to commission agents to cancel their contract on the ground that it was a lump sum payment to get rid of onerous revenue payments to the agents in the future. In *Southern v. Borax Consolidated, Ltd.*, the company had incurred substantial legal expenses in defending the company's title to real estate, and such expenses were allowed as they did not create any new asset, but were expenses incurred in the ordinary course of maintaining the existing assets of the company.

Cases in which the expenditure was not allowable are headed by *Helsby's case* (*supra*), where a sum set aside as a nucleus of a pension fund was held to be a payment creating an enduring benefit to trade. Similarly, in *Joseph Adamson and Co. v. Collins* (21 T.C. 400), the company made payments to an association which was an association for the purpose of keeping up prices. The association decided to acquire the business of another member of the association to prevent it being sold to a non-member, who might then be a possible competitor. The amounts expended by the company were not allowed, as they brought into existence an advantage of an enduring nature. Lastly, in *Associated Portland Cement Manufacturers, Ltd. v. Inland Revenue Commissioners*, two of the directors retired from office and entered into restrictive covenants, and in consideration of

such covenants, the company made certain payments to them. It was held that the money so paid could not be allowed as a deduction against the company's profits, as by buying off two potential competitors, the company had improved the value of their goodwill and so brought into existence an enduring benefit of trade.

In the *Cement* case, the Master of the Rolls pointed out that in determining whether a payment is properly attributable to capital or revenue, the accountancy point of view may be helpful, but not con-

clusive. The fact that a payment has been charged to revenue does not of necessity make it an allowable deduction as "conservatively managed companies every day pay for capital assets out of revenue if they are fortunate enough to have the revenue available." The true tests to be applied are those laid down in *Helsby's* case, and it is necessary to have regard to those tests at all times in considering whether or not a payment has been "wholly and exclusively laid out or expended for the purposes of the trade or profession."

Taxation Notes

1946-47

This is a momentous year in the history of taxation, and one that is giving the accountancy profession much food for thought, as well as much extra labour, for a great deal of which there will be little material reward.

The coming into force of the Income Tax Act, 1945, in itself, would mark 1946 as a stepping-stone. The imminent end of the period for which exceptional depreciation is allowable, and the allowances for capital expenditure on scientific research are also noteworthy. The refund of E.P.T. for "hundred per cent. periods," hedged as it is by conditions that leave much to be clarified, also gives the accountant fresh problems to decide which if any of the options he should advise his client to adopt as an alternative to the refund being charged to income tax and sur-tax as part of the 1946-47 income.

Any of the above might be the foremost problem in the mind of the individual reader. Yet the most noteworthy happening is the first step towards relief from the war-time burdens in the lowering of the standard rate, and the first steps towards restoring the personal and similar allowances. Though the small man comes out relatively best, the reduction in the standard rate will be felt by all businesses.

There are other current features, such as the sweeping changes in Estate Duty, and the first full year of the new rules regarding Dominion income tax relief as affecting dividends. In all, the accountant is going to have a busy year, not least in trying to explain to his clients some of the most complicated legislation yet produced.

No doubt, these are the reasons for the renewed interest in lectures that is shown all over the country. The attendances indicate that members recognise the value of hearing the changes in law and practice expounded by specialists, and of having the opportunity to discuss with the lecturer and among themselves the points that touch themselves particularly.

Reminders

Constantly, members returning from the Forces ask this question in one form or another: "What are the main tax changes that have occurred while I was away?" It is easy to give a misleading, because inadequate, answer. It may be useful, therefore, to give a list of the really important points.

- (1) Rents in excess of the Sch. A assessments are now assessable under Case VI.
- (2) Farmers are now in Sch. D, except the smaller cases (i.e. individuals or partnerships farming not more than £100 G.A.V.).
- (3) Remittances basis under Case V applies only (in the case of ordinary residents) to earned income. All other income is assessed on the amount arising in previous year.

- (4) Dividends paid without deduction of tax must be grossed. Tax is deductible at standard rate even if company has had D.I.T. relief.
- (5) Relief given for diminution of earned income, if actual earned income does not exceed 80 per cent. of assessed earned income.
- (6) Fraud or wilful default negatives time limits for assessments for 1936-37 onwards.
- (7) The Commissioners or Board of Inland Revenue can compel production of books and accounts.
- (8) Introduction of P.A.Y.E.
- (9) Extension of housekeeper allowance; increase in dependent relative allowance.
- (10) Fractional reduction of "tax free" payments under pre-war agreements or wills, and limitation of employers' payment of tax-free remuneration, so as to pass war-time increase in tax on to the recipient (1941 Act).
- (11) And, of course, E.P.T. (N.D.C. was in force when the war started).

This list is not complete, but may guide readers into the right way.

Farmers

There seems to be a tendency for Inspectors of Taxes to ask for comments on the variation of farmers' profits. This has been met on several occasions lately where a full audit has been done and a clean certificate given. In each case, a new set of initials has appeared on the Revenue reference indicating an official new to the particular job. If these questions are asked on general instructions, it would be interesting to learn what comments are to be expected. The reasons for fluctuations in farmers' profits are so varied that comment without specialised knowledge might be misleading.

The inadequacy of staff in many inspectors' offices no doubt leads to delegation to assistants with less experience than others, which may account for some of the questions now being asked. It is to be hoped that there is not to be a reversion to the bad old days of lists of standardised questions, whether necessary or not.

On the other hand, it is feared that some accountants are still far too narrow in their views as to what information should be given to the Inspector with the computation. He has not seen the books, and it is only right that he be supplied with such explanatory schedules as will enable him to see the facts.

The 1945 Act, Initial Allowance for Machinery

It is evident that the argument on whether the additional allowances under Sect. 18, Finance Act, 1932, and Sect. 22, Finance Act, 1938, are deductible before calculating the initial allowance on plant bought between April 5, 1944, and April 6, 1946, is to continue. Counsel's opinion (given in ACCOUNTANCY for

April, page 138) does not appear to support what is understood to be the official interpretation, namely, that the one-fifths should be deducted before calculating the initial allowance. The writer of this note thinks the Revenue interpretation is right, in view of subsect. (2) of the said Sect. 18, which says: "Where . . . account is required to be taken of any deductions allowed . . . in respect of wear and tear for any years prior to the year of assessment, . . . the additional deduction under this section . . . shall be treated as if it were part of the deduction in respect of wear and tear. . . ."

It is noted that in the two books so far published, the Revenue interpretation is supported, and one of the joint authors in each case is a counsel well known in tax circles.

The amounts involved are not likely to be such as would warrant an appeal to the Courts, and it is therefore hardly to be expected that views contrary to those of the Revenue will find any practical sympathy.

Repayment Claims

In returning dividends, both for the ordinary return and for repayment claims, extra care must be exercised in view of the change in the law regarding passing on Dominion Income Tax relief in 1945-46.

As from February 20, 1946, companies have had to deduct tax at the standard rate, whether or not they have had D.I.T. relief. The old working rule therefore applies to dividends declared payable before that date, namely: if the company is controlled abroad, gross up the net dividend at the standard rate (there are a few special cases where this does not apply); but if the company is a U.K. one or controlled from the U.K., gross up at the rate of tax deducted.

In the case of dividends since the date in question, gross up at the standard rate. Nevertheless, repayment can only be obtained by reference to the rate of U.K.

tax suffered by the company, as set out in the dividend counterfoil.

Illustration—

Company in U.K.—

Assessed profits	£2,400 at 10s.	£1,200
D.I.T.R.	£800 at 4s.	160
Net U.K. tax	£1,040

Effective rate $\frac{1040}{2400} = 8s. 8d. \text{ in } £$

Dividend (Dec., 1945) ...	£1,000 0 0
Less Tax at 8s. 8d. ...	433 6 8

Net dividend ... £566 13 4

Dividend, Feb. 21, 1946 ...	£1,000 0 0
Less Tax at 10s. ...	500 0 0

Net dividend ... £500 0 0

In both cases, only 8s. 8d. in the £ is regarded as available for repayment.

Company outside U.K.—

Profits	£2,400 0 0
Less Dominion Tax at 4s. ...	480 0 0
	£1,920 0 0

Dividend	£960 0 0
Less U.K. tax at 6s. on gross (£1,200) ...	360 0 0

Net dividend ... 600 0 0

Gross equivalent £1,200 0 0

Recent Tax Cases

[CONTRIBUTED]

Income Tax and Surplus—Estate in course of administration—Discretionary payments out of capital—Whether income of beneficiary and whether "annual payments"—General Rule 21—F.A. 1938, Sect. 30.

The decision in *Cunard's Trustees v. C.I.R.*, noted in our July, 1945, issue, has been reversed in the Court of Appeal (December 20, 1945).

A testatrix devised a residence to trustees on trust to allow her sister to reside there rent free, and directed that the trustees should pay all outgoings out of the "residuary estate" as defined in the will. There was a further direction that in the event of the income of the residuary estate not being sufficient for the purpose, the trustees should in their discretion apply capital by way of addition to the income. Certain sums out of capital were applied in this way, and it was admitted that sums so applied after February 7, 1940 (when the residue was ascertained) were income of the sister for tax purposes; the dispute was whether such capital sums applied before that date were taxable as the sister's income. The Crown argued in the first place that these sums must be deemed to be her income by virtue of F.A. 1938, Sect. 30 (which deals with payments made during the period of the administration of an estate); this argument did not succeed, as the payments were not made "in respect of" any such limited interest in residue as is mentioned in that section, but were made under a discretionary power.

The main point in the case rose from the appellant's

argument, which was twofold: first, that the payments having been made before the residue was ascertained, they could not be taxable income of the sister, it having been decided in *Corbett v. C.I.R.* (21 T.C. 449) (prior to F.A. 1938) that income of an estate during the period of administration is income of the executors and not of any beneficiary; and second, that the payments, being discretionary and in a sense voluntary, could not be "annual payments" within General Rule 21 and Case III of Sch. D. Both arguments failed; as regards the first, the Court held on the construction of the will that the testatrix, in empowering the trustees to apply capital of the "residuary estate," did not refer to the net residue as finally ascertained, and consequently the power could be exercised at any time after the death and was not in any way dependent on the ascertainment of the net residue; the payments were therefore distinguishable from those in *Corbett's* case. On the second point the Court held that the payments were "annual payments"; they were "annual" in the sense that they were capable of recurrence, and the fact that they were discretionary did not take them outside Rule 21 or Case III.

E.P.T.—Computation of capital—Deduction in respect of accruing liabilities—F.A. 1940, Sect. 34 (4).

In *Northern Aluminium Company, Limited v. C.I.R.* (C.A., March 6, 1946) the Court of Appeal reversed the

decision of Macnaghten, J., noted in our March, 1946, issue. The question arose out of the Crown's claim to make a deduction in computing the appellant company's capital for the period ending December 31, 1941, of a sum of over £2,700,000 paid by the company to the Ministry of Aircraft Production in 1943 in consequence of an arrangement whereby the prices charged by the company for products sold in 1941 were subsequently reduced by agreement. The Crown contended that this sum was in 1941 an "accruing liability" within F.A. 1940, Sect. 34 (4) on the ground *first*, that as it was known in 1941 that the prices charged were to be the subject of negotiation, there existed in that year a legal liability on the company to repay any excess charged, which liability ultimately matured into the sum of £2,700,000, and *second* that even if there was no legal liability in 1941, the payment in 1943 was referable to and had its root and origin in sales made in 1941 and was consequently an "accruing liability" in that year.

On the first point, the Court held, on the construction of letters which had passed prior to 1941 which referred to future negotiations as to scales of prices, that there was no agreement binding the company to adjust prices, but only an expression of an intention to do so; consequently there existed no legal liability to repay any excess prices charged. Furthermore, the Court indicated that even if there had been an agreement to adjust prices by negotiation, that would not have given rise to any "accruing liability," as it would have been a purely conditional liability depending on the result of such negotiations.

On the second point, the Crown relied chiefly on the principles laid down in such cases as *Isaac Holden and Sons v. C.I.R.* (12 T.C. 768), whereby for the purpose of computing profits accounts can in certain circumstances be re-opened to let in new matters arising out of the development of transactions taking place in the accounting period. The Court held that these principles cannot apply to computations of capital for E.P.T. purposes; the object of the capital computation is to arrive at the amount of capital *actually* employed in the accounting period, and it has nothing to do with items which may be artificially written back into the accounting period by reason of subsequent events.

This case will obviously affect many other computations of capital for E.P.T. purposes.

The Crown were granted leave to appeal to the House of Lords.

Income Tax, Sch. D., Case I—Deduction from profits—Sum paid to Drainage Board toward cost of works—Capital.

In *Doncaster Amalgamated Collieries, Limited v. Bean* (H.L., March 22, 1946) the House of Lords dismissed the company's appeal from the decision of the Court of Appeal disallowing a deduction claimed in the following circumstances. The Doncaster Drainage Act, 1929, provides that where any working of minerals may result in subsidence affecting the drainage system, the mine owner must construct and maintain such works as may be necessary to obviate any loss of efficiency in the system. The company desired to extract coal from a particular seam, the working of which would have involved risk of subsidence to a water-course, and accordingly it investigated the cost of work which would be necessary to fulfil its obligation under the Act, and the cost was roughly estimated at £68,000. It transpired, however, that the Drainage Board itself devised a more comprehensive drainage scheme, which would remove the necessity for the company executing any works before extracting the

coal; this being a benefit to the company, it agreed to contribute £38,000 toward the cost, the payment being spread over 30 years. The company claimed to deduct instalments of this payment in computing profits.

The House of Lords held that the deductions claimed could not be allowed. The annual instalments must be regarded as stamped with the same character (whether capital or revenue) as would be borne by the lump sum; if the lump sum were regarded as being paid in substitution for the expense the company would have had to incur in fulfilling its obligations under the Drainage Act, it could not be postulated that that expenditure would have been chargeable to revenue—in fact it would probably have been largely capital. If the payment was not regarded in this way, it could be regarded as expenditure bringing into existence an enduring advantage to the company in the shape of freedom to work the coal seam, which would likewise stamp it as capital.

The decision is founded on reasoning already familiar from *Anglo-Persian Oil Co. v. Dale* (16 T.C. 253), and *Atherton v. British Insulated and Helsby Cables* (10 T.C. 155), and the judgments in the present case do not involve any new principle.

Surtax—Income of privately controlled investment company—"Able to secure"—F.A. 1939, Sect. 15.

In *C.I.R. v. L.B. (Holdings), Ltd.* (H.L., March 22, 1946) the House of Lords discussed the meaning of the words "able to secure" in F.A. 1939, Sect. 15, which deals with the apportionment of the income of privately controlled investment companies.

Under Section 15, a person is deemed to be "able to secure that income or assets will be applied for his benefit if he is in fact able to do so by any means whatsoever." Wrottesley, J., in the Court of first instance, held that this did not include ability to secure by criminal means, but could include in certain cases ability to secure by means involving breach of trust. The Court of Appeal, by a majority, held that "able to secure" means "able to secure permanently," and that accordingly where a breach of trust might be involved, the possibility of condonation by the beneficiaries had to be considered. In the House of Lords it was held that "able to secure by any means whatsoever" means what it says, and contemplates any means, lawful or unlawful, whereby the assets may be applied for the individual's benefit; the question is one of fact, and is whether it can be rationally said, from all the circumstances of the case, that the individual is able to secure that the assets can be applied for his benefit. In deciding this, there is no reason why the use of unlawful means should not be envisaged; in such a case the probability of such means being employed must be weighed against the probability of effective action being taken to prevent it by those whose rights are being infringed. The whole matter is, it appears, left at large to the Special Commissioners, and the manner in which they must weigh all the circumstances is summed up by Lord Utthwatt: "Heads may go in the air in imagining the possibilities open to the *praepositus*, but the feet must be kept on the ground in estimating the probable consequences."

The decision is an important one, and provides the basis on which similar cases will be decided in the future.

We comment in a professional note (page 152) on the case Lever Brothers and Unilever, Ltd. v. C.I.R.

FINANCE**The Month in the City****After the Budget**

Mr. Dalton's second Budget has been made the occasion for a burst of activity in the stock markets. Its success in the City was due to two main factors. In the first place, it showed that the Chancellor, while even more devoted to the idea of cheaper money rates, was likely to have an easier task in achieving them than many people had expected, owing to the fact that he will have to embark on little, if any fresh long-term borrowing this year. In the second place, it took a load off the mind of the equity investor by abolishing E.P.T. without, at present, introducing any new tax to take its place. In conjunction, these two points provided all the stimulus which the markets required, particularly as there had already been some improvement in the political and economic background. The Persian dispute had subsided, the chances of the American loan being ratified had increased, and the employment and export figures had begun to suggest that reconversion was making genuine progress.

The points in the Budget statement which meant most to the gilt-edged market were the revelation that the deficit this year would be much smaller than had been expected, and the announcement that the interest on Defence Bonds would be reduced from 3 per cent. to 2½ per cent., and that National War Bonds, 1946-48, were to be repaid. Together, these gave an earnest that Mr. Dalton was no less determined to cheapen money rates, and an indication that his task would be easier than it might have been. Since the deficit is expected to be covered by overseas borrowing, it is now possible that no fresh domestic finance will be required at all. The prospect of a new Government loan being issued is thus postponed, and existing issues have acquired an additional scarcity value at a time when the supply of money is still very abundant. It is true, of course, that industry will be very willing to absorb the finance which the Treasury will not require, but with new capital issues under close control, the authorities will be able to ensure that there is plenty of money left over to sustain gilt-edged prices.

Gilt-Edged and Equities

Turnover in the gilt-edged market attained record levels in the days immediately following the Budget. The considerations mentioned above induced a general demand for British Government securities, but there were a few particular changes in the direction of business which call for attention. The demand in the first place came almost entirely from institutional sources. Considerable funds had been accumulated for investment during the period of uncertainty preceding the Budget, and the new situation which the Budget created also called for substantial "switching" operations. There were sales of National War Bonds, 1946-8, on the part of institutions which do not wish to hold to maturity, and corresponding purchases of the same stock as a four months' bill by the discount market. At the same time there was a general movement into the longer-dated National War Bond and Savings Bond issues, and a very large demand for Exchequer Bonds 1½ per cent. These latter were sold on a considerable scale by the public Departments, with the result that there was a temporary shortage of credit in the money market through the immobilisation of funds in the hands of the authorities.

The demand for industrial equities, although it arose mostly out of the removal of E.P.T., also owed something to events in the gilt-edged market. The general

lowering of yields on fixed-interest stocks called for some comparable adjustment in equity yields, and there were signs that some institutional investors, having seen a substantial profit on their gilt-edged holdings, were inclined to increase the proportion of their resources in equities in order to secure a higher income. All this could only take place, however, by virtue of the Chancellor's tax concessions. The fact that E.P.T. was to disappear at the end of the year counted for a lot more in the markets than the threat that something else might take its place in a year's time, and the rise in prices was particularly concentrated on shares in companies which have been heavy E.P.T.-payers. For some time previously the fear that Mr. Dalton would somehow prevent the higher profits indicated by an increased national income from getting through to shareholders had kept prices below the level to which they would have been raised by the free play of economic forces. This may still be partly the case, but in the first place, no alternative to E.P.T. will appear until the next Budget, which is a long way ahead, and in the second, Mr. Dalton is evidently not considering some of the worst possibilities which the market had in mind. It was regarded as significant, for instance, that what he mentioned was either an increase in N.D.C. or the introduction of some new tax on profits or excess dividends. He made no mention of flat dividend limitation, which would be the only measure really calculated to reduce the attractions of equities. A profits tax, like N.D.C., or a dividend tax would put a brake on the equity element in ordinary shares, but only a stringent form of dividend limitation would remove it altogether.

Commodity Shares

A feature of the stock markets this month which has not been dependent on Budget considerations has been the renewed popularity of base metal shares, notably copper and lead. The shortage of lead, with its favourable implications for producers, has been recognised for some time, but the change in the copper supply position has only recently become apparent. Stocks in this country have been allowed to fall to a surprisingly low level, while consumption has risen. At the same time, it appears likely that the United States will remain a much larger importer than before the war, and there is a substantial demand in other parts of the world. A shortage of copper is thus regarded as more probable than the over-supply that was predicted after the war, and there has been a considerable demand for Rhodesian copper shares in the light of the new situation. Some indication of the changed conditions has been provided by the recent decisions to raise the official selling prices of lead, zinc and copper in this country. This does not necessarily mean an immediate increase in the price paid to producers, but it suggests that the situation is moving in their favour. In the case of copper, however, a contrary tendency may result from reinforced competition from aluminium, the official selling price of which was reduced from £85 per ton to £67 per ton during the month, thus making the metal cheaper than electrolytic copper, which now costs £72 per ton. Rubber and tin shares, by contrast, have not yet shown much sign of coming back into favour. This is partly due to the different price conditions, and partly to the costs which must be incurred in Far Eastern rehabilitation. In the case of tin there is understood to have been a promise of financial aid to producers in Malaya, but the outlook for the rubber industry remains too uncertain to encourage much activity in the share market.

Points from Published Accounts

London Brick

The accounts published by London Brick a year ago provided excellent justification for the now widespread practice of showing dividend disbursements at their net amount. In adhering to the older method, the company showed a net profit of £133,786, and after providing £32,000 for the preference dividend there was an apparent balance of £101,786 available towards gross dividend requirements of £200,000 on the ordinary capital. This was, however, purely a notional figure, for in fact the whole of the amount needed for the ordinary dividend was furnished by £100,000 withdrawal from general reserve, this draft being sufficient for the purpose with income tax at 10s. in the £. For 1945 the company has adopted the newer method, the preference dividend now being shown at £12,000 net and the ordinary payment, at the maintained rate of 10 per cent., being shown at £100,000. It is, however, still by no means clear how the company has fared, for a sum of £40,000 has been transferred from contingencies reserve, while the apparent net profit of £76,301 has been determined after deducting only £39,807 for the new item, "income tax accrued and borne by deduction." Close assessment of the position is rendered impossible because the figures for 1944, which are given in a parallel column, maintain the old basis, and have not been adjusted to conform with the new practice adopted this time. The auditors' report notes that "in arriving at the trading profit no depreciation has been written off the fixed assets," and this position is acknowledged in the directors' report. Generous depreciation provisions were made in earlier years; but it would have been helpful had the fixed assets statement shown the gross amount of the directors' 1936 valuation and the accumulated depreciation written off meantime instead of confining itself to disclosing a balance figure.

British Aluminium

One interesting feature of the British Aluminium accounts is that the 1945 total income of £1,019,440 approximates to that of £1,049,257 secured in 1944 only because credit has been taken for a £246,000 estimated refund of E.P.T. Another is the change made in the presentation of the balance sheet. The various items in this statement have now been grouped in logical order, while the depreciation reserve and debenture stock redemption account, both previously shown as reserves, are now described as "provision for depreciation (inclusive of debenture redemption reserve, £272,664)," and deducted from a gross figure of £4,996,693 for the fixed assets to arrive at a net valuation of £2,899,029. The main assets consist, however, of investments amounting to £6,915,029. This figure is arrived at after allocating £950,000 of the share premium reserve (left at £300,000) to cover investments in Norway and France and magnesium interests. Unfortunately it is not shown how this £950,000 is allocated between interests in subsidiaries (£6,236,930 gross) and interests in allied companies and other trade investments (£1,628,099 gross). Whatever the allocation the net worth placed upon interests in subsidiaries must represent a large proportion of the assets total of £13,266,097, and it is, therefore, a matter for regret that the revision in the method of presenting the accounts has not been carried to the point where a consolidated balance sheet and a combined profit statement are presented. On one point of detail the accounts are, however, clear. Under the heading "reserves and undivided profits" the share premium reserve, general reserve, contingencies reserve and profit and loss account balance are

aggregated to make a total of £3,175,313. Then there is a separate addition of £340,833 for "future liability for income tax," another amount of £645,494 being included in "current liabilities and provisions" by way of "provision for income tax, 1945-46, and E.P.T."

J. Sears & Co.

The consolidated accounts now presented for the first time by J. Sears & Co. (True-Form Boot Co.) might appropriately serve as text for a discourse on the virtues of consolidation. To begin with, it becomes clear that the profits recorded by the parent company itself are habitually a full measure of group earnings: the company's share of 1945 profits retained by the subsidiaries is only £5,231, and, including this residue, the undistributed profits and reserves of subsidiary undertakings, attributable to and earned since acquisition by the company, are no more than £14,532. Then, while the net floating assets of the company itself are £953,777, for the group as a whole they amount to £1,950,444. Incidentally, the stocks held by the group at the year-end were valued at £800,834, and the decline recorded when comparison is made with the pre-war level of £1,312,000 is a commentary upon the difficulty of keeping the 800 retail branches supplied with adequate quantities of footwear, especially having regard to the fact that the lower figure is based on a higher level of values and includes Service footwear. The main subsidiary is Freeman, Hardy & Willis, and from study of that company's accounts it was always evident that the value of £4,075,647 placed in the parent's balance sheet upon shares in subsidiaries must include a substantial sum for goodwill. It would be too much, however, to expect the average shareholder to draw that conclusion for himself, and it is an advantage to have the consolidated balance-sheet showing goodwill at a firm figure of £2,716,685. Another advantage of the combined statement is that it shows at a glance the full amount of group capital standing in priority to the £556,250 of J. Sears & Co. ordinary capital. Besides the £4,689,225 of preference and debenture capital issued by the parent, there is £750,000 of preference capital and £7,802 of preferred and ordinary capital held by outside shareholders in Freeman, Hardy and Willis, and a subsidiary also has £200,000 of debenture stock in issue. Allowing for £89,450 of the parent's debentures held by a subsidiary, the total net group capitalisation is £6,113,827, of which the parent's ordinary shares represent only about 9 per cent. It is more than ever important to know the true gearing index now that on the one hand the impending repeal of E.P.T. promises an increase in industry's retainable profit, while on the other an increased N.D.C. would, if adopted, fall to be borne by equity shareholders.

Courtaulds

Courtaulds is such an important company—it has a capital of £32 million and total assets of close on £62 million—that its accounts always have a special interest. Owing to the enforced sale of the great bulk of its American interests during the war, the company holds larger liquid resources than any other British undertaking. Besides £2,967,840 in cash and £3,260,000 in tax reserve certificates, it has British Government securities brought in, after deducting a special reserve of £1,074,878, at £37,392,218. It is helpful to be told that these securities have a market value of £39,329,885. But with interests in subsidiaries totalling £4,347,549, the absence of consolidated accounts is a notable defect, while it is a pity that there is no indication of the E.P.T. content of the £2,236,605 provision for national taxation.

LAW**Legal Notes****COMPANY LAW**

Receiver appointed by debenture holder after compulsory winding-up order—Sale of property by receiver—Status of receiver—Courts (Emergency Powers) Act.

An unusual point affecting the status of a receiver was decided by Vaisey, J., in *Re Northern Garage, Ltd.* (62 T.L.R. 258). In 1935, the company issued a debenture for £1,250, creating a floating charge on its undertaking, and empowering the registered holder to appoint a receiver. He was to be an agent of the company, with power to sell any of the property thereby charged. In January, 1941, an order was made for the winding-up of the company. The debenture-holder afterwards obtained leave of the court to exercise any remedy available to him by way of the appointment of a receiver. In February, 1941, the debenture-holder appointed in writing N. to be receiver of the property charged by the debenture. In 1945 N. entered into a contract to sell to the sub-underlessees the residue of an underlease held by the company. The purchasers raised several objections to the vendor's title. Vaisey, J., held that N. was validly appointed, and continued to be, the agent of the company. No objection was made to the order on the part of the company or the liquidator, and it must be assumed that they knew the contents of the material documents and were aware of their legal effect. The order must be read, therefore, as empowering Y. to appoint a receiver, who was to be the agent of the company, although it was in liquidation. The Judge had considered whether he ought to decide the case without having the company or the liquidator before the court. In his view they were not really concerned, because the only result of his decision would be to enable the receiver, as agent for the company, to realise the security without any further leave from the court under the Courts (Emergency Powers) Act, 1943. He would therefore make an order declaring that the respondent was not bound to obtain any further order under the Courts (Emergency Powers) Act, 1943, to enable him to sell, and with the company's concurrence, to assign the said property to the applicant (the respondent admitting that he was bound to obtain the concurrence of the company acting by its liquidator in such assignment).

Reconstruction—Transfer of Properties and Liabilities—Companies Act, 1929, Section 154.

In *Nokes v. Doncaster Amalgamated Collieries, Ltd.* (1940, A.C. 1014), the House of Lords decided that the assignment of contracts of personal service is not included in a general assignment of all the property of a company about to be dissolved to a new company formed for the purpose of taking over the business of that company. The decision rested on the principle that by virtue of a vesting order made under Section 154 of the Companies Act, 1929, there is transferred only such property as could be transferred by an act *inter partes*. An important point of practice in regard to an order made under the section was decided by Uthwatt, J., in *Re "L." Hotel Co., Ltd., and Langham Hotel Co., Ltd.* (1946, 1 All E.R. 319). Application was made under the section for an order vesting the property of the transferor company in the transferee company. The point of general practice properly raised by the registrar was whether there should appear in the order some limitation showing that the order could not have the effect of transferring a purely personal contract. Uthwatt, J., said it was neither necessary nor desirable

that such an exception should appear in the order. When expressed in general terms, the order worked according to law, and there was no reason to specify its effect in any particular case. Nor was it legally necessary to specify all the various properties of the company in schedules to the order. R.S.C., Order 53B, Rule 13, which authorises the use of the scheduled form of order, is permissive and not mandatory. Uthwatt, J., said that compliance with that form of order (specifying in the schedules the freehold and leasehold property and the stocks and debentures and other choses in action of the transferor company) entailed a considerable amount of work and effected no useful purpose, because, as all the property was transferred, there was no point in specifying some of it. It might be a matter of convenient record.

EXECUTORSHIP LAW AND TRUSTS

Will—Construction—"Until" construed as "when."

In *Re Tottenham (deceased)* (62 T.L.R. 245), a testator directed his trustee to hold his residuary estate on trust for J.T. "until" she should attain the age of 25 years, with a gift over to the sisters of J.T. at 21 in the event of J.T. not "attaining a vested interest." The will contained provisions for the education and maintenance of J.T. out of income until she should attain 18, and thereafter to apply any part of the estate for her advancement in any business or profession. Wynn Parry, J., referred to the general principle that the Court was not entitled to depart from the strict letter of the will unless there was some context which enabled it to do so. The question was whether the will contained such context. *Prima facie*, the gift over in Clause 3 pointed to the conclusion that the interest of J.T. was limited to an interest until she attained 25 years. But in the language of the will there was a sufficient context to displace that *prima facie* meaning. Clause 3 opened with the words: "In the event of the said J.T. not attaining a vested interest under the trust hereinbefore contained." Those words appeared to be critical and decisive. He did not accept the view that the provision was simply one against lapse. The scheme of the will was simple. The testator had given J.T. an absolute interest in the residuary estate contingently on her attaining 25. He then sought to provide for the contingency of her not attaining a vested interest in the capital, and had provided for limited help to J.T. until she should attain that vested interest or die. Therefore, on the true construction of the will and in the events which had happened (including the attainment of 25 by J.T.) the defendant J.T. had become and was now absolutely beneficially entitled to the whole of the testator's residuary estate.

Will—Annuity for Maintenance and Education—Duration.

Annuities given for maintenance and education may, on a true consideration of the will, cease when the annuitant attains 21. But in *Re Jackson* (1946, 1 All E.R. 327), Vaisey, J., held, in all the circumstances, that the testator did not intend to leave the annuitant unprovided for. The gift of a sum of £50 a year was held to be an annuity for the life of the beneficiary. The testator in his will gave to his adopted daughter E. "a sum of £50 sterling per annum, this sum to be applied for her maintenance and schooling until she attains the age of 21 years and to be derived from interest of my shares in War Loan 1917." He gave the remainder of his personal estate, including his shares in "War

Loan 1917" to A.B., and directed her, out of the proceeds, to pay 10s. a week to his mother for the rest of his mother's life. From the testator's death until E. attained 21, £50 a year had been applied for her maintenance and schooling, but, since she attained 21, no payment had been made in respect of the annual sum. It was contended by the personal representatives of A.B. that, on the true construction of the will, the annual sum ceased to be payable after E. attained 21. On behalf of E. it was contended that as the sum was to be derived from the interest on the shares in "War Loan 1917," the gift of £50 a year must be regarded as a gift of the income of a portion of that fund and was therefore a perpetual annuity. Vaisey, J., held (1) the gift to E. of £50 a year was an absolute gift in the first instance and the words that followed "to be applied for her maintenance and schooling until she attains 21" were merely a direction as to how the money should be applied during E.'s minority; (2) The gift could not be construed as a perpetual annuity; (3) E. was entitled to the sum of £50 per annum during her life.

Settlement—Statutory Trust for period of Accumulation.

In *Re Bourne's Settlement Trusts* (62 T.L.R. 269), the Court of Appeal dismissed an appeal from a decision of Evershed, J. By a deed of settlement made in 1932, *inter vivos*, a sum of £7,000 was settled for the benefit of seven named grandchildren and their future issue; the eldest grandchild was then seven years old. The settlement provided that each grandchild should become

entitled to receive £52 a year out of the income on attaining the age of 18, the balance of the income to be accumulated. Power was given to the trustees to transfer a share of the £7,000 plus accumulations to any beneficiary who attained 23, but there was to be no general distribution of the capital, including accumulations of surplus income, until the youngest grandchild, who was only one month old at the date of the settlement, attained 23, when it was to be distributed by the trustees among the grandchildren and their issue in such shares and manner as the trustees in their absolute discretion should think fit. They were thus not bound to distribute the fund equally, but might give the whole amount to one grandchild. In 1941 the settlor died. Section 164 (1) of the Law of Property Act, 1925, sets statutory limits to the accumulation of income, but under Section 164 (2), a provision for raising portions for children is excepted from the prohibition contained in such limits. The Court of Appeal held (1) that, as no grandchild was absolutely entitled to any share of the settled funds, this was not a "provision for raising portions" within Section 164 (2); (2) that the only lawful period of accumulation applicable under Section 164 (1) to the provisions of the present settlement was the life of the settlor; (3) that the grandchildren's contingent interests did not carry the intermediate income of the settled fund; (4) that, on the death of the settlor before the youngest grandchild attained 23, the lawful period of accumulation came to an end, and the property passed on such death.

The Emergency Acts and Orders

These summaries of emergency enactments and Orders have been published in ACCOUNTANCY since the beginning of the recent war. They are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ORDERS

HIRE-PURCHASE

No. 199. *Second-Hand Goods (Maximum Prices, Maximum Charges and Records) Order*, 1946.

No. 200. *Hire-Purchase and Credit Sale Agreements (Control) Order*, 1946.

Second-hand and new bakery machinery, etc., and domestic water softeners and refrigerators are added to the categories of goods for which a charge may be made in respect of instalment terms.

(See ACCOUNTANCY, April, 1943, page 137.)

LIMITATION OF SUPPLIES

No. 81. *Limitation of Supplies (Toys and Indoor Games) (No. 3) Order*, 1946.

The control on toys and indoor games is continued for the six months to July 31, 1946, but the permitted quantities are increased.

No. 135. *Photographic Goods: Order dated January 29, 1946.*

The limitation of supplies of cameras and accessories and sensitised photographic paper is removed from February 1, 1946. Returns in respect of the restriction period ended January 1, 1946, must be made before April 15.

(See ACCOUNTANCY, September, 1945, page 253.)

LOCATION OF INDUSTRY

No. 89. *Location of Industry (Restriction): Order dated January 24, 1946.*

The Location of Industry (Restriction) Order, 1945 (No. 671), which prohibited the use of certain classes of

factory and storage premises except under licence, is revoked.

MANUFACTURE AND SUPPLY

No. 225. *Furniture (Control of Manufacture and Supply) (Consolidation) Order*, 1946.

The control over the manufacture and supply of furniture by manufacturers is continued with some amendments.

No. 136. *Containers and Straps: Order dated January 29, 1946.*

The restrictions imposed by the Containers and Straps (No. 6) Order, 1945, are removed.

(See ACCOUNTANCY, November, 1945, page 43.)

PAPER

No. 1431 (1945). *Control of Paper (Economy) Order*, 1945.

The Control of Paper (No. 48) Order, 1942, as amended, is partially revoked and replaced, with a number of relaxations. Among the restrictions which are not reproduced is that limiting the size of company reports.

(See ACCOUNTANCY, April, 1943, page 120, and this issue, page 151.)

PRICES OF GOODS AND SERVICES

No. 116. *Toys and Indoor Games (Maximum Prices and Records) Order*, 1946.

The previous Order (1943, No. 615) is superseded. Ceiling prices for toys and indoor games are abolished, but the other provisions are continued.

No. 241. *Utility Furniture (Maximum Prices and Charges) Order*, 1946.

A new consolidated schedule is given of revised maximum prices for utility furniture. Repairing charges are also altered.

(See ACCOUNTANCY, September, 1945, page 253.)

TRADING WITH THE ENEMY

No. 183. *Trading with the Enemy (Specified Persons) (Amendment) (No. 14) Order, 1946.*

Amendments are made in the list of persons with whom dealings are prohibited.

Nos. 292, 293, 294. *Trading with the Enemy Orders—Siam.*

Some trade is now permitted with persons in Siam. (See ACCOUNTANCY, March, 1946, page 124.)

Society of Incorporated Accountants

COUNCIL MEETING

MARCH 28, 1946

Present: Mr. F. Woolley, J.P., President (in the chair), Mr. A. Stuart Allen, Mr. R. Wilson Bartlett, J.P., Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Allison Davies, C.B.E., Mr. M. J. Faulks, M.A., Mr. A. B. Griffiths, Mr. C. A. G. Hewson, Mr. Walter Holman, Sir Thomas Keens, D.L., Mr. Bertram Nelson, J.P., Mr. T. Harold Platts, Mr. F. A. Prior, Mr. R. E. Starkie, Mr. Joseph Stephenson, O.B.E., Mr. Percy Toothill, Mr. Richard A. Witty, Mr. R. E. Yeabsley, Mr. A. A. Garrett (Secretary) and Mr. L. T. Little (Deputy Secretary).

GRANTS FOR FURTHER EDUCATION AND TRAINING

A memorandum was submitted of conversations with the Ministry of Labour indicating the broad categories of men training for the profession who would be eligible for grants.

COAL INDUSTRY NATIONALISATION BILL

A report was received of meetings between representatives of the accountancy bodies, particularly in relation to the Coal Industry Nationalisation Bill.

CONFERENCE OF REPRESENTATIVES OF BRANCHES AND DISTRICT SOCIETIES WITH MEMBERS OF THE COUNCIL

It was reported that a Conference of representatives of Branches and District Societies with members of the Council would be held on May 23, 1946, at the Hall of the Auctioneers' and Estate Agents' Institute of the United Kingdom, 29, Lincoln's Inn Fields, London, W.C.2, by kind permission of the Council of that Institute. Following the Conference a luncheon would be held at the Waldorf Hotel, Aldwych, London, W.C.2.

RESIGNATIONS

The following resignations of membership were accepted with regret:—

From December 31, 1945:

DOWIE, Lawrence Adam (Associate), London.
GALTRY, Albert Ernest (Associate), York.
HEPPEL, John Thomas (Associate), Manchester.
KEY, Frank (Fellow), Great Missenden, Bucks.
MANLEY, Gerald Blewitt (Fellow), Burford, Oxon.
TURNBULL, Richard Frank (Fellow), Seaford, Sussex.

From December 31, 1946:

CLARK, Wilfrid Saunders (Associate), Frinton-on-Sea.

DEATHS

The Secretary reported, with regret, the death of each of the following members:

ANDREWS, Edward (Fellow), Chester.
BELL, James David (Associate), Brisbane, Australia.
HOOPER, Arthur Gordon (Associate), Bristol.
HOLLOWS, Robert (Associate), Wigan.
MALPAS, Leslie Douglas (Fellow), Bournemouth.
NORRIS, Albion Wallace (Associate), Taunton.
RILEY, Alfred (Fellow), Leicester.
WILLIAMS, Andrew (Associate), London.

GOLDEN WEDDING OF SIR THOMAS AND LADY KEENS

Sir Thomas and Lady Keens, of "Highfields," Luton, celebrated their golden wedding anniversary on April 2.

Sir Thomas, the senior partner of Keens, Shay, Keens & Co., was President of the Society of Incorporated Accountants in 1926-29, and is a member of the Council and Chairman of

the Law and Parliamentary Committee. His services to the Society, to his native town of Luton and county of Bedfordshire, and to the public cause, are manifold and well known to all members of the Society.

Lady Keens, a member of Luton Town Council until last November, achieved the triple distinction of being Luton's first woman councillor, first woman alderman, and first woman Mayor. For many years she has been a leading influence in numerous charitable causes in the Luton district.

In celebration of their golden wedding, Sir Thomas and Lady Keens entertained nearly four hundred friends to a dinner, dance and cabaret at the George Hotel, Luton, and the following day they were themselves the guests at a luncheon given to them by the staff of Keens, Shay, Keens & Co. Lady Keens was presented, on behalf of the staff, with a gold sugar sifter and cream jug, and Sir Thomas with an autographed book. Telegrams of congratulation were received from the President of the Society of Incorporated Accountants, from the Head Office staff, and from Incorporated Accountants assembled at New College, Oxford, for the opening of the Society's second refresher course.

DISTRICT SOCIETY

SOUTH WALES AND MONMOUTHSHIRE

The Students' Societies of Cardiff and Newport held their last meeting of the current session at Cardiff on April 4, when Mr. Alfred D. Thomas, F.S.A.A., delivered a lecture on P.A.Y.E. Income Tax. The chair was occupied by Mr. D. R. Carston, F.S.A.A. The attendance was satisfactory, and the lecturer dealt with the subject, and with the questions following the lecture, in an admirable manner. The meeting closed with a hearty vote of thanks to Mr. Thomas.

PERSONAL NOTES

Mr. Thomas Martin Cameron, A.S.A.A., Assistant City Chamberlain, Aberdeen, has been appointed Burgh Chamberlain of Irvine, Ayrshire.

Messrs. Turquand, Youngs, McAuliffe & Kemps, of 11, Rue Louis le Grand, Paris 2, announce that Mr. John Harold Johnston, F.S.A.A., is, by mutual consent, retiring from the firm as at April 30, 1946. The firm's practice will be continued as heretofore, and Mr. Johnston will practise in Paris on his own account.

Messrs. Major & Co., 89, Cronwall Street, Birmingham, 3, have admitted Mr. Gordon S. Major, B.Com., A.C.A., and Mr. P. A. Whitehead, A.C.A., into partnership. The firm name will be unchanged.

Messrs. A. & E. Law & Co., Incorporated Accountants, Walsall, announce that the partnership existing between Mr. E. I. Law and Mr. A. Richardson has expired, Mr. E. I. Law having retired as a partner. Mr. Richardson is taking into partnership Mr. David E. Wood, Incorporated Accountant, who has been associated with the firm for many years. The firm name will be unchanged.

Messrs. H. E. Stubbs & Co., of Ulster Chambers, 168, Regent Street, London, W.1, announce that as from May 1, 1946, they have admitted into partnership Mr. Ernest George Payne, A.S.A.A., and that the name of the firm will in future be Stubbs, Payne & Co.

Messrs. Button, Stevens & Witty, Incorporated Accountants, 7, Union Court, Old Broad Street, London, E.C.2, have admitted Mr. Frederick Richard Witty, Incorporated Accountant, into partnership. The designation of the firm will be unchanged.

Mr. C. W. Durley, A.S.A.A., Electricity Accountant, Borough of Hampstead, has retired after forty-five years' service with the Council. He is succeeded by Mr. W. E. Bates, A.S.A.A.

Mr. W. Oldfield, F.S.A.A., has disposed of the practice formerly carried on by him at 8, Market Street, Leicester, and has now opened an office at 169, Elmsleigh Drive, Leigh-on-Sea, Essex.

REMOVALS

Messrs. Graves, Causer & Co. announce that they have removed their offices to 1, Great Winchester Street, London, E.C.

Messrs. Wentworth Price, Gadsby & Co. have transferred their office at Mount Stuart Square, Cardiff, to 8, Windsor Place.

Mr. J. T. Lowe, Incorporated Accountant, is now practising at 65, Stricklandgate, Kendal.

OBITUARY

SIR MALCOLM GRAHAM RAMSAY

A distinguished figure in the Civil Service in the last generation was Sir Malcolm Graham Ramsay, K.C.B., whose death at the age of 75 occurred on March 23 last. From 1921 to 1931—when he retired—he filled the high office of Comptroller and Auditor-General. In that capacity it was part of his duty to appear before the Committee of Public Accounts in the House of Commons, a duty he carried out with lucidity and acceptability. After being at Winchester and New College, Oxford, he entered the Diplomatic Service, but almost immediately was transferred to the Treasury. There he remained until his appointment as Comptroller and Auditor-General, except for a period of three years when he was Private Secretary to the late Lord Balfour (then the Right Hon. Arthur Balfour, M.P.), Prime Minister. He was Controller of Establishments at the Treasury from 1914 to 1921, and was Chairman from 1919 to 1921 of the National Whitley Council, the formation of which was guided by his counsel and advice.

The Honorary Membership of the Society, which has been limited to but few connected with the work of accountancy, was conferred upon him in 1924, when at the same time the late Lord Stamp (then Sir Josiah Stamp) was also elected an Honorary Member. Sir Malcolm was the last surviving Honorary Member.

From time to time, the President of the Society and the London members had the pleasure of receiving him. His personal charm and fine presence made him a delightful guest whose thoughtful and entertaining speeches always afforded much pleasure.

DONALD CRAIG

We regret to record the death on March 18 of Mr. Donald Craig, J.P., F.S.A.A., senior partner of Messrs. Robert Craig & Son, Incorporated Accountants, Sheffield. Mr. Craig was 66 years of age, and had been a member of the Society of Incorporated Accountants since 1905. Shortly after qualifying he was admitted to partnership in his father's firm. The practice is now being continued by his son, Mr. D. Dudley Craig, A.S.A.A., A.C.A., and Mr. Mark Yates, A.S.A.A., A.C.A.

Mr. Donald Craig was a member of Sheffield City Council from 1932 to 1938, and a member of the Finance Committee. He was a local director of the Liverpool, London and Globe Insurance Co., Ltd., and had held office as a director of the Sheffield Wednesday Football Club, President of Sickleholme Golf Club, President of Sheffield Caledonian Society, Master of the Furnival Lodge of Freemasons, and Deacon of Queen Street Church.

Mr. Percy Toothill, F.S.A.A., represented the District Society at the funeral on March 22.

JAMES AUSTIN LEWCOCK

Mr. J. A. Lewcock, A.S.A.A., whose regretted death occurred on March 28, was for twenty-four years secretary of S. Dixon & Sons, Ltd., Leeds. He became an Incorporated Accountant in 1913, after being awarded Honours in the Final Examination. After some years in municipal accountancy, he

served for a period during and after the 1914-18 war as a superintendent in the Costings Investigation Division of the Admiralty.

HARRY CUNNINGHAM

The profession in Yorkshire has suffered a severe loss by the sudden death on April 3 of Mr. Harry Cunningham, J.P., F.S.A.A., at the age of 45. Mr. Cunningham was senior partner of Messrs. Cunningham, Priestley & Co., Incorporated Accountants, Sheffield, and was President of the Sheffield District Society from 1935 to 1938. He qualified in 1924, after serving his articles with the late Mr. T. Beecroft, A.S.A.A., Leeds, and shortly afterwards commenced public practice in Sheffield.

Mr. Cunningham was a member of Sheffield City Council for fifteen years, until he was defeated in the elections last November, and was recently chairman of the Park Conservative Association. During the war he was North-East Regional Director for the soft drinks industry. He also held a commission in the Home Guard, having served in the Navy during the war of 1914-18. He was a generous supporter of Sheffield Methodist Mission, and a prominent Freemason. His wide interests included football and cricket.

The District Society was represented at the funeral by Mr. C. S. Garraway, Vice-President, and Mr. J. W. Richardson, Honorary Secretary.

AMERICAN ACCOUNTING LITERATURE

The Incorporated Accountants' Research Committee has a small collection of books on American accounting methods. These have now been placed in the Society's Library, and are available for consultation or borrowing by members and students. The reference section of the Library also receives *The Journal of Accountancy*, the monthly journal of the American Institute of Accountants, and the twice-monthly Bulletins of the National Association of Cost Accountants, New York. Members and students wishing for information on wider aspects of American commerce and law are reminded of the invitation extended to them by the Director of the American Library at the American Embassy, 1, Grosvenor Square, S.W.1, where an extensive collection of books, pamphlets, and periodicals may be consulted.

BOOKS RECEIVED

The Agricultural Landowner's Handbook on Taxation. By R. Strachan Gardiner. Seventh edition. (Central Landowners' Association, 58, Victoria Street, Westminster, London, S.W.1. Price 8s. 6d. net.)

Income Tax: With a Chapter on N.D.C. By E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A. Sixteenth edition by H. A. R. J. Wilson, F.C.A., F.S.A.A. (H.F.L. (Publishers), Ltd., London. Price £1 2s. net.)

Principles and Practice of Book-keeping and Accountancy. By S. Sengupta, M.A., G.D.A., R.A. (H. Chatterji and Co., Ltd., Calcutta. Price 5 rupees 4 annas.)

Changes in the Economic Organisation of Agriculture. A comparative study of conditions in the Eastern Counties of England in 1938-39 to 1942-43. Report No. 29. (University of Cambridge Department of Agriculture, Farm Economics Branch. Price 7s. 6d., post free.)

Economic Stability in the Post-War World. Report of the Delegation on Economic Depressions, Part II. (League of Nations, Geneva; Allen and Unwin, Ltd., London. Price 12s. 6d. net.)